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FINANCIAL TIMES

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Rebel leader in democratic armour, Page 18

World news

US will guard Kuwaiti tankers

The US said its warships would stay in the Gulf to protect Kuwaiti tankers despite a missile attack on the US frigate Stark in which at least 37 American sailors died.

The State Department said plans were going ahead to put 11 of Kuwait's 22 tankers under the American flag from next month, entitling them to US Navy escort in the Gulf.

Meanwhile the White House disclosed that US officials had asked that Saudi-Arabian F-15 fighter aircraft intercept the Iraqi aircraft after it attacked the US frigate but a Saudi ground controller did not have authority to order them to do so. Page 18

Fiji violence

Fiji's Governor-General ordered troops to quell outbreaks of racial violence. Formation of an interim government, following the coup failure, was delayed. Page 18

Contras driven back

Nicaragua's army, in its biggest operation, has driven back hundreds of Contra rebels into neighbouring Honduras and captured a rebel camp. Page 4

Sri Lanka alert

Sri Lanka sent up to 2,000 fresh troops to the Jaffna peninsula, raising speculation that the Government might be planning an offensive against the Tamil rebel stronghold.

Intelsat to sue

Intelsat has filed a civil suit against its former director general, Richard Colino, to recover funds he allegedly fraudulently obtained from the global communications group. The complaint in US Federal Court said the International Telecommunications Satellite Organisation suffered losses of nearly $5m.

Indian space hitch

A seven-nation embargo on exports of components for long-range rockets could affect India's space programme, an official said.

Secrets 'sold'

Four Japanese were arrested for selling secret US military information to the Soviet Union. The case was being treated as theft, not espionage.

Flight strike

Flight attendants of Spain's state-owned Aviaco domestic airline began a three-day strike over pay.

Libyan shot

A former aide of Libyan leader Muammer Gadaffi was shot and wounded in a central Vienna street. His attacker dropped a Libyan diplomatic passport.

Kenya border 'shut'

The Ugandan Government said Kenya had unilaterally closed its border with Uganda but Kenyan officials said the border was still open although they were applying tight controls on people entering from Uganda.

Tax reform urged

French Budget Minister Alain Juppe called for sweeping reform of France's system of indirect taxes before the European Community introduces a unified market in five years' time.

Transplant bill

Singapore's Parliament approved a bill allowing doctors to remove kidneys from dead accident victims for transplant.

Dentist's downfall

Swedish health authorities said they were considering an upper age limit for dentists after a patient of an 81-year-old dentist complained he had failed to find more than two dozen cavities.

Business summary

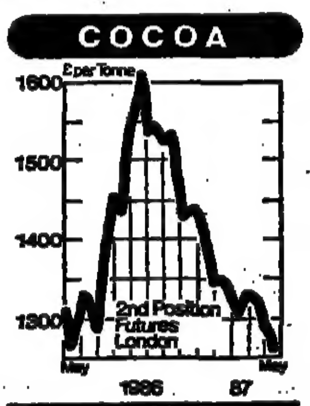
Sabena pursues merger with SAS

SABENA, Belgian national airline, and Scandinavian Airlines System (SAS) came closer to realising their much mooted merger when Sabena confirmed it was actively pursuing the link. It said the move would not include any other related activities, such as Sabena's hotels and catering operation. Page 18

BANQUE Nationale de Paris, France's largest bank, is to centre its major equity holdings on its subsidiary Compagnie d'Investissement de Paris. Page 29

TOKYO: US bank Citicorp's decision to add $3bn to its loan loss reserve against Third World debts jarred the market and heavy selling of financial issues drove prices sharply lower. The Nikkei Average lost 858.28 to 23,419.60, the second biggest daily loss. Page 42

WALL STREET: The Dow Jones industrial average closed 3.41 down at 2,215.87. Page 42



COCOA prices edged below the International Cocoa Organisation's intervention support level. The London July position was £13 down at £1,255.50 a tonne, a one-year low. Page 30

LONDON: Bank shares plunged following the news regarding Citicorp's debt write-off, and the latest opinion poll indicating a narrowing in the Conservative Party's lead in the general election campaign. The FT-SE 100 index closed 40.3 down at 2174.0, and the FT Ordinary lost 28.2 to 1690.80. Details, Page 38

GOLD rose $5.25 to $475.25 on the London bullion market. In Zurich it rose to $476.75 ($470.25). Page 30

DOLLAR closed in New York DM 1.75; SFr 1.456; at FFr 5.9345; and Y139.75. It fell in London to DM 1.7745 (DM 1.7780); to FFr 5.9350 (FFr 5.9475); to SFr 1.4540 (SFr 1.4580); and to Y139.80 (Y140.00). On Bank of England figures the dollar's exchange rate index fell 0.3 to 99.7. Page 31

STERLING closed in New York at $1.681. It rose in London to $1.6835 ($1.6830); but fell to Dm 2.9875 (DM 2.9925); to FFr 9.9925 (FFr 10.01); to SFr 2.4475 (SFr 2.4550); and to Y235.25 (Y235.50). The pound's exchange rate index fell 0.1 to 73.7. Page 31.

DAIMLER-BENZ, the West German vehicle group which has diversified into electronics, aerospace and engines, plans to invest up to DM24bn ($13.5bn) over the next five years, most of it in the car sector. Page 20

VOLVO, the Swedish automobile, energy and food group, suffered lower profits in the first quarter, hit by the lower dollar and higher product development costs. Profits, after financial items, fell 18 per cent. Page 20

SOUTH KOREA said it would restrain shipment of video cassette recorders and nine other items to the US market to take effect from July 1.

HESSISCHE Landesbank (Helaba), West Germany's fourth largest publicly owned bank, reports a 12.6 per cent fall in operating profits for 1986 to DM 243m ($137m) against DM 278m in 1985. Page 19

FRANCE'S Council of Ministers approved the bill which will hand control of Credit Agricole, the country's giant agricultural bank back from the state to the regional banks which are its members. Page 23

Wall Street analysts surprised by size of provision but welcome decision

US banks may follow Citicorp move to cut debt exposure

BY WILLIAM HALL IN NEW YORK

THE US financial community yesterday welcomed Citicorp's dramatic decision to reduce the value of its $15bn Third World debt exposure by a quarter and take a $2.5bn second quarter loss.

ON OTHER PAGES

- Argentine debt accord; loan markets emerge from twilight, Page 4
- Editorial comment; Expensive path for other banks, Page 16
- Banks face the fact, Page 17
- Lex, Page 18

Analysts suggested that other major US money centre banks would be forced to take similar action. While many banks refused to comment on the Citicorp move, Manufacturers Hanover acknowledged that it might follow Citicorp's lead.

The shares of Citicorp, the biggest US banking group and the largest international bank, rose by $2½ to close at $53⅞ yesterday following the announcement that the group was increasing its loan loss reserve by $3bn to $5bn and expected to report a net loss of around $1bn for 1987.

Although the move will cut the book value of Citicorp's shares by around a third, analysts were pleased that the bank was addressing a problem which has depressed the share price of all of the US money centre banks since the onset of the Third World debt crisis in 1982.

"It is the recognition of the problem that makes the difference," said one analyst, who argued that the "market feels more comfortable when a company owns up to its problems."

However, the magnitude of Citicorp's actions surprised Wall Street analysts and although the group stressed that it was not aiming to set a standard for the rest of the US banking industry, most Wall Street analysts believe that rival bankers will not be able to ignore Citicorp's move.

Most of the major US money centre banks refused to comment publicly on Citicorp's move yesterday although they admitted privately that their senior executives had been working late into Tuesday night reviewing the implications of a similar move on their own balance sheets.

The main exceptions were two of the weaker members of the US banking community. BankAmerica Corporation, which has been buffeted by heavy loan losses over the last few years and was forced to omit its dividend last year, indicated that it did not intend to increase its loan loss reserve, which at 3.17 per cent is the highest of any major bank save Citicorp, whose reserve now stands at 3.7 per cent of total loans.

BankAmerica said that its loan loss reserves "are appropriate for the asset mix in its overall portfolio. We are aware of no developments which would produce a need for adjustments to this reserve".

However, Manufacturers Hanover Corporation, the third most heavily exposed US bank, indicated that it might follow Citicorp's example. "The action taken by Citicorp yesterday is an option that has been examined carefully by virtually all major US participants in the sovereign debt process, including Manufacturers Hanover. This option will be even more intensely reviewed in the aftermath of Citicorp's decision", said Manufacturers Hanover

Bankers said that if the stock markets and world money markets responded favourably to Citicorp's move it would increase the likelihood of similar actions to effectively write-off part of the banks' troubled Third World loans. However, several analysts noted that only a few major US banks could afford to take as sweeping action as Citicorp.

Outside the banking sector reaction to the Citicorp move was mixed. In Washington yesterday the recently appointed deputy secretary of the Treasury Mr Peter McPherson praised the decision as "a positive development" and said it would assist the Reagan Administration's strategy for resolving the Third World debt problems.

But some officials expressed guarded concern on this score arguing that Citicorp had simply rearranged its balance sheet, not strengthened its capital base.

They also argued that there was the risk that developing countries would look at the bank's increased reserves as an invitation to adopt a tougher negotiating stance on the grounds that the bank was now prepared to take losses which could result in a more confrontational atmosphere on Third World debt issues, which in turn could produce further losses.

Shares fall in nervous markets

BY JANET BUSH AND STEPHEN FIDLER IN LONDON

WORLD stock markets reacted nervously yesterday as Citicorp's decision to bolster its loan loss reserves raised renewed fears about bank exposure to Third World debtors.

Shares in the Far East and in Europe suffered heavy losses, although on Wall Street the mood was calmer yesterday following the sharp losses sustained on Tuesday on rumours of the Citicorp move. The Dow Jones industrial average slipped by only 3.41 to close at 2215.87 yesterday, compared with a fall of more than 37 points on Tuesday. However, trading remained relatively subdued.

The Citicorp news came with financial markets already jittery about sluggish growth and rising inflation in the US and the continuing weakness of the dollar.

The major talking point in the markets has been the likelihood of a fresh US discount rate rise to bolster the dollar. US bond yields have risen sharply in recent weeks as the dollar remained weak.

The fresh focus on world debt problems because of Citicorp's announcement yesterday cast doubt on whether the US Federal Reserve would sanction higher interest rates, so intensifying funding problems for heavily exposed banks and threatening a hardening of positions among debtor countries.

On the other hand, financial markets appear to feel the Fed must react decisively to growing fears of higher inflation and restore confidence in the dollar.

The clear losers on the day were banking shares, hit by concerns that other banks could come under pressure to follow Citicorp's move and therefore announce lower profits.

The news prompted heavy selling of financial issues on the Tokyo stock market. The Nikkei average dropped 858.28 points to 23,419.60, its second largest daily loss.

The losses were concentrated in shares of banks with large outstanding loans to developing countries although securities houses were also depressed by news that the Tokyo stock exchange will cut the commissions they charge on stock dealings later this year.

The same pattern could be seen in bourses around Europe most of all saw losses concentrated in the financial sector.

In London, bank shares fell sharply at the opening and negative sentiment was reinforced by a Bank of England statement which said it expected a continuing increase in the level of provisions at British banks. Lloyds Bank, with heavy Latin American debt exposure, was particularly weak.

Wall Street was more resilient and was mixed at midsession, partly reassured by the steadiness of the dollar.

In bond markets, Citicorp's announcement prompted an immediate flight by investors from bank-related securities, although dealers said that this initial reaction appeared to have moderated later in the day on reflection of the move.

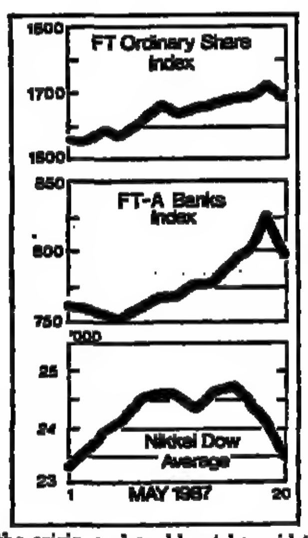
Bond investors were apparently concerned initially that the Citicorp move represented a deterioration of the Third World debt crisis, that would prompt the US Federal Reserve to adopt a more accommodative, and potentially inflationary, stance toward interest rates.

On reflection, the move was seen by some as perhaps clearing the way to more radical solutions for the crisis, and could not be said to worsen it.

The initial flight to quality was reflected in a decline in US Treasu-

Continued on Page 18

Money markets, Page 31; Eurobonds, Page 23; London Stock exchange, Page 38



Bank of England calls for caution

By David Lascelles in London

THE Bank of England yesterday took the unusual step of publicly urging UK banks to press ahead with their efforts to raise their provisions against sovereign debt.

In a statement prepared in the wake of the Citicorp announcement, the Bank said that it "expects the level of provisions to continue to increase."

Although the Bank made no direct reference to Citicorp, it said: "Doubtless bank boards will take into account as they review the position a variety of considerations including the evolving pattern of provisioning in banks elsewhere."

The decision by the Bank to respond publicly to events was taken by the banking industry to indicate the authorities' continuing concern about the danger of loss facing UK banks, even though their exposure to Latin American debt is not relatively as great as that of the US banks.

However, neither the Bank nor UK bankers were expecting any British banks to follow Citicorp's example and make a large once-for-all provision.

In its statement, the Bank stressed that consideration of provisions should be a continuous process which takes account of changing conditions.

The Bank also noted that British banks had already made significant increases in their provisions, and had also taken steps to strengthen their capital.

UK clearing bankers said yesterday that Citicorp's dramatic decision to transfer $3bn to its loan loss reserve would ensure that British banks remained under pressure to bolster their reserves as well, though the impact would not be measurable until the banks produced their interim results in the summer.

Analysts estimated that it would cost UK banks up to £1.5bn ($2.52bn) to match the level of reserves against Third World debt set by Citicorp, and this would cause a severe drop in earnings, even losses, if it were done in less than a year.

Among the clearers, Midland Bank and Lloyds Bank have the largest exposure to Latin America, followed by Barclays and NatWest.

S. Africa explosion kills 3 policemen

By Anthony Robinson in Johannesburg

THREE white South African policemen were killed and 10 people were badly injured when two powerful car bombs exploded outside the Johannesburg Magistrates Court just before lunchtime yesterday.

The blasts occurred on the fourth anniversary of South Africa's worst terrorist attack, when a car bomb explosion outside airforce headquarters in Pretoria killed 19 people, including the two men priming the bomb.

Yesterday's twin explosions, only minutes apart, followed a smaller bomb explosion at the central Carlton Hotel late on Tuesday night in which nobody was injured.

The latest explosions occurred hours after hundreds of police conducted a pre-dawn, door-to-door search through a block of flats rented mainly to illegal black residents in the formally white inner-city area of Hillbrow. They also arrested 14 black students from Witwatersrand University after early morning raids on three university residences.

Police questioned all the illegal flat tenants about their identities, provoking fears that the raids were the precursors of a clampdown on violations of the Group Areas Act following the right-wing swing in this month's whites-only elections. A police statement said they were searching for people in connection with recent bomb explosions, including those which severely damaged Cosatu House, headquarters of the Congress of South African Trade Unions two weeks ago.

In a separate incident yesterday, police shot dead a black gold miner during a confrontation between police and 5,000 striking miners at Gencor's West Rand Consolidated mine near Krugersdorp. The strike began on Monday over production bonuses and closure of the National Union of Mineworkers' office on mine property.

The renewed violence provided a sombre backdrop to the no-confidence debate in the Cape Town Parliament, where Dr Andries Treurnicht, leader of the official opposition Conservative Party, rejected the Government's vague power-sharing plans and called for the establishment of "a free white nation under its own government in its own fatherland."

He ridiculed what he called the Government's belief that "we can buy off revolutionary political demands with better living conditions" and said the Government's power-sharing policy would lead to a loss of white power, white identity and swamping by the black majority in a unitary state.

Continued on Page 18

Japan considers proposal for international chip trade pact

BY CARLA RAPOPORT IN TOKYO

JAPAN is considering proposals for a new international semiconductor trade agreement which could replace or augment the beleaguered bilateral US-Japan semiconductor trade pact.

Government officials and industry executives are understood to be discussing two initiatives aimed at monitoring global semiconductor trade with an eye to including European and South-East Asian countries in an intenational trade pact.

US industry and government officials said that the reported proposals appeared to do little more than expand the position adopted by Japan in talks that led to the signing of the US-Japanese semiconductor trade agreement last year, and that they would meet with strong resistance in the US.

The impetus for a new semiconductor agreement appears to have originated from Japanese industry leaders, who maintain that the bilateral chip pact has created rather than reduced tension.

Although top government officials yesterday refused to confirm the existence of the new proposals, it is understood that Japan is considering a call for a multinational agreement under the General Agreement on Tariffs and Trade (GATT) or the establishment of a floor price system for semiconductors worldwide.

The latter proposal, it is understood, is currently under discussion between European and Japanese semiconductor companies.

Japanese government officials, however, are extremely reluctant to discuss the new proposals publicly, because the country is currently engaged in extremely delicate negotiations with the US on the US-Japan semiconductor trade pact signed last autumn. That pact has been sorely strained since early this year, when the US claimed that Japan was not honouring its commitments to increase US chipmakers' market share in Japan and to refrain from dumping chips in foreign markets.

In protest at the alleged violation of the pact, the US last month imposed 100 per cent tariffs on $300m worth of Japanese exports to the US. Japan would like to see those tariffs removed before the June summit in Venice of the leaders of the industrialised nations.

The Japanese industry leaders who are pressing for a new approach are particularly aggrieved at losing market share in important South-East Asian markets where chip price-cutting by competitors has become cut-throat.

The industry would prefer quotas or floor prices on semiconductor trade on an international basis, rather than the current pact's emphasis on "fair market value" prices determined by the US Department of Commerce. In Hong Kong, for example, where the industry has now raised chip prices in accordance with US demands, Japan's share of the market has dropped from 90 to 50 per cent in recent months.

Further, the EC is currently protesting against the US-Japan chip pact at the Gatt. Both Japan and Europe, as a result, would have an interest in widening a semiconductor trade pact beyond its current bilateral status. As the bilateral pact obliges Japan to monitor chip prices in third countries, it has forced Japan into an unwelcome "policeman" role.

World trade, Page 5

CONTENTS

LEARNING TO LIVE WITH THE OTTOMAN LEGACY

Egyptian President Hosni Mubarak: grappling with the country's economic problems, Page 3

LEADERS MEET IN PARIS TODAY

Chirac and Kohl aim to align missiles stance

BY DAVID HOUSEGO IN PARIS

FRENCH and West German leaders will be meeting in Paris today for a summit expected to clear up some of the current confusion over a European response to Soviet disarmament proposals on intermediate range (INF) missiles.

The French position as outlined by Mr Jacques Chirac, the Prime Minister, during his visit to Moscow last weekend, is that France will rally to any agreed European standpoint. This represents a compromise between his previous hostility to an accord embracing shorter range (500km-1000km) nuclear missiles, and President Francois Mitterrand's acceptance of the "double zero" option" covering both shorter and longer (1000km-5000km) range missiles.

In practice, this compromise position was intended to show that France would be willing to support the position eventually adopted by Chancellor Helmut Kohl of West Germany. But scarcely had it been worked out in Paris than Mr Kohl announced his "private belief" that a disarmament agreement should include battlefield range missiles below the 500 km range.

This is unacceptable to both Mr Chirac and President Mitterrand on the grounds that it is liable to call into question France's land-based tactical missiles, the Pluton and the Hades. Both want a "fire break" to be drawn at the 500 km mark.

Though French opposition to any descent below the 500 km mark will be firmly put to the West German Chancellor, the hope in Paris is that he made the proposal only in order to gain time in the complex negotiations with his coalition partners in Bonn.

French officials increasingly feel that if an arms agreement is to be achieved this year as the US and Soviet Union want, it will have to be restricted to the initial INF "zero option proposals" so as to avoid the quagmire of negotiations on shorter range weapons. They would see an agreement on 1,000-5,000 km weapons linked to further talks on shorter range weapons.

This French view of where the emphasis should now be put would seem to run counter to the British Government's statement last week in favour of the "double zero option." French officials describe Chancellor Kohl as being much put out by the British declaration, as the French Government was itself.

Prior to the statement, the Prime Minister's office believed that it was knitting together a Franco/British/German accord on the basis of a shorter range missile agreement that would have left the US and the Russians with about 80 weapons on each side.

Apart from disarmament, the two-day talks will also cover macro-economic policy, where the French continue to press West Germany to provide additional stimulus to its economy.

Financing of the joint Franco-German helicopter is also expected to come under discussion as well as the West German contribution to the funding of the Airbus programme.

Gorbachev denies attempting to divide Nato

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

MR MIKHAIL GORBACHEV, the Soviet leader, yesterday flatly rejected suggestions that Moscow was trying to drive a wedge between the US and Western Europe, emphasising that this would be a completely unrealistic policy.

In an interview with the Italian Communist newspaper L'Unita, Mr Gorbachev described as "nonsense" Western fears that the Soviet Union was attempting to split the Atlantic Alliance. "The historical relationship between Western Europe and the US or, say, between the Soviet Union and European Socialist countries are a political reality," he said. "This must not be ignored if one is to pursue a realistic policy. A different approach could upset the existing equilibrium in Europe."

On arms control, Mr Gorbachev said the Soviet Union was convinced that the future of Europe lay in "stable security," with a minimum of arms on both sides, and in broad state-to-state co-operation and contacts and exchanges in every field and at every level.

Though he said that an agreement on medium-range nuclear missiles in Europe was feasible, the Soviet leader accused the Western allies of complicating and blocking the negotiations by establishing an endless chain of links between different categories of weapons.

In a speech yesterday Mr Gorbachev said Moscow would accept a Nato demand for the elimination of all Soviet SS-20 intermediate range missiles in Asia as well as in Europe, only if US [illegible] removed from Japan, South Korea and the Philippines.

Meanwhile, in London, a senior Soviet official said that Moscow was certainly prepared to negotiate reductions of tactical and battlefield nuclear weapons with a range below 500 kms (300 miles).

However, Mr Lev Mendelevich, head of the Soviet Foreign Ministry evaluation and planning department, stressed that such cuts should be negotiated together with reductions in conventional arms and not as part of the talks on medium range missiles, as proposed by West Germany.

The Soviet official, who had talks at the Foreign Office yesterday, said his government approved in principle of the British Government's announcement last week that it could, in principle, accept the Soviet so-called "double zero" offer. Under this proposal, all US and Soviet nuclear missiles in Europe with a range of 500-5,000 kms (300-3,000 miles) would be eliminated.

On Afghanistan, Mr Gorbachev emphasised in the Unita interview that Moscow had no aspirations to keep the country in "the Soviet sphere of influence," as was claimed by the West.

The Afghan Communist Party leadership was free to look for partners for its "national reconciliation" programme among Afghan refugees and emigrants in foreign countries, he said. "If Afghanistan decides to go neutral, that again will be up to the Afghan people."

● Mr John Whitehead, the US Deputy Secretary of State, said in Copenhagen yesterday that a Nato response to the latest Soviet arms control proposal was imminent. But he declined to say whether he expected a final alliance response would emerge from the Nato foreign ministers' meeting due to be held in Reykjavik, the Icelandic capital, on June 11 and 12.

Gorbachev: 'completely unrealistic policy'

Lufthansa sees hope of compromise on Community air fares

BY DAVID MARSH IN FRANKFURT

LUFTHANSA, the West German national airline, yesterday held out hope of a compromise deal over the European Commission's efforts to liberalise Community air fares.

Mr Heinz Ruhnau, the chairman of Lufthansa, which is one of the carriers most affected by an EC assault on airlines' alleged restrictive practices, told a press conference yesterday he was "relatively optimistic" about the outcome of EC talks scheduled for next month.

Mr Ruhnau made clear his belief that the Commission, which in March threatened to step up legal action against Lufthansa, Alitalia and Olympic Airways, had climbed down from some of its most radical liberalisation proposals.

He also warned against transferring to Europe deregulation measures which had been put into effect in the US and had led ultimately to more concentration in the airline industry and less competition.

Denying that Lufthansa had been reluctant to enter into talks with the Commission over the last few months, Mr Ruhnau said his airline welcomed plans to remove some restrictions over European air transport which had, he claimed, worked to its disadvantage.

A compromise between the Commission and the EC transport ministers, who are holding their next meeting in June, could change regulations over capacity-sharing, cut price fares and market access, he said.

In return, the Commission would grant a special exemption to the Treaty of Rome freeing airlines from being sued under anti-cartel law.

In what Mr Ruhnau clearly interpreted as a significant climb-down, he said the Commission had accepted Lufthansa's view that airlines had to consult each other on fares and routes to allow passengers to use tickets on different carriers and to iron out airport congestion.

He said the Commission included officials who were "somewhat distant from economic realities" whose opinions had been modified after "clarifications" given by the airlines in recent talks.

● Mr Reinhardt Abraham, vice-chairman in charge of Lufthansa's technical activities, said the airline hoped to decide by the end of the month to buy definitely 15 of the planned A-340 long-range Airbus airliners. Its previously announced order for the aircraft, representing vital support for the Airbus consortium's long-running efforts to launch the A-340, was put on ice last month after development was cancelled of the advanced Superfan engine planned to power the aircraft.

Dollar hits Lufthansa, Page 19

Industry in Italy seeks return of coalition

By John Wyles in Rome

LEADERS of Italian industry yesterday paid the highest compliment to the previous government led by the Socialist Mr Bettino Craxi by requesting a reincarnation of the five-party coalition whose break-up has precipitated a general election on June 14.

Neither Mr Luigi Lucchini, the president of Confindustria, nor other leaders at the organisation's annual assembly went as far as calling for the restoration of Mr Craxi at the helm, but they all enthusiastically demanded a new period of political stability to carry through necessary economic and industrial reforms.

"Certainly the stability of the five-party coalition and the continuity of its policies have been largely responsible for economic success and the vitality of business," said Mr Lucchini, in his presidential address.

"It is now up to the political leaders to overcome party differences and restore the possibility of a 'good legislature' and of 'good government'."

His declaration won nodding approval from a former head of Confindustria, Mr Gianni Agnelli, the president of Fiat, who said that he too, hoped that the five-party coalition would be revived.

Mr Lucchini's 50-page speech was very much an agenda for the next government, stressing, as he has done on several occasions recently, the declining competitiveness of Italian industry after a 7 per cent fall in the value of exports in the first quarter. This he holds to be due partly to the inadequacy of public administration and services, and unreasonable fiscal burdens which pushed up costs.

He called for more efficiency from the banking system, infrastructural improvements which would encourage the birth of companies, particularly in the south, a new energy policy and greater freedom for capital movements.

Of the five parties led by Mr Craxi for three and a half years, only the Christian Democrats, the largest, and the Liberals, the smallest, are yet publicly in favour of reviving the formula after the election.

The Republicans are publicly keeping their distance and privately in favour, while Mr Craxi is limiting himself to urging the electorate to vote for the reformist lay parties — that is the previous members of his coalition minus the Christian Democrats.

He will not weaken his bargaining hand with the Christian Democrats in advance of the election result, although he knows that a new pentapartito coalition, led this time by a Christian Democrat, is the most likely outcome.

Netherlands heads for zero growth

By Laura Raun in Amsterdam

THE NETHERLANDS' economy will stagnate next year after expanding by only 1 per cent this year, according to the first 1988 forecast from the semi-independent Central Plan Bureau.

The zero per cent growth is largely blamed on consumer spending, which is expected to rise only 0.5 per cent, compared with 3 per cent this year. This is because of higher taxes and welfare premiums and limited wage rises. Business investment is forecast to fall off even more sharply, with no increase predicted for 1988.

In view of the bleak outlook, Mr H. Onno Ruding, the Finance Minister, is arguing for deeper spending cuts in the 1988 budget in an effort to trim the deficit to around 7 per cent of net national income. The hard line finance minister wants to save about Fl 3.8bn in departmental budgets and the social security system, or twice as much as earlier planned, to keep the budget deficit from rising to 7.8 per cent of national income from 7.2 per cent this year.

The latest Plan Bureau figures show a weakening economy beset by slower growth in every major macroeconomic indicator except for a rise in inflation.

Unemployment also is expected to rise above this year's average level of 13 per cent.

This year relatively healthy expansion in domestic consumption and investment has provided some stimulus for the economy, while exports have plunged under the weight of the strong guilder.

But next year's slowdown in spending and investment will leave the economy with little drive since the trade surplus will continue to dwindle. Many economists have blamed this year's tepid performance on the plunge in oil prices and the dollar but next year's economic woes suggest more fundamental problems such as excessively high taxes and welfare premiums.

The Central Plan Bureau predicts that consumer prices will climb by 0.5 per cent in 1988 compared with a 1 per cent decline this year, that the balance of payments surplus will shrink to Fl 4bn-Fl 5bn from Fl 6bn and that industrial production will expand by 0.5 per cent compared with 1.5 to 2 per cent this year.

Commission calls for stricter limits on radiation in food

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission yesterday threw down a challenge to the member states of the European Community, by proposing much stricter limits on radiation levels in food and drinking water, in the event of a nuclear accident, than their own scientists recommend.

The plan is likely to leave EC governments deeply divided about how they should react to another accident like the Chernobyl disaster, just as they were when the Soviet nuclear reactor exploded last year.

The strongest supporters of nuclear energy—like France, Britain and Belgium—are likely to line up against those most opposed, or most exposed to radiation dangers, like Denmark, West Germany, the Netherlands and Ireland.

The Commission yesterday called for maximum levels of caesium—the most important long-life form of radioactive contamination—to be set at 1,000 becquerels per kilo—grain in dairy products and 1,250 bq/kg in other foodstuffs, for all food marketed in the EC at the time of any sudden increase in radiation levels.

Those figures compare with current levels in force since Chernobyl of 370 bq/kg for dairy products and 600 bq/kg for other foodstuffs, imposed on all food imports into the Community.

On the other hand, national scientists, summoned to recommend on what levels of contamination are safe, agreed on much less stringent limits: 4,000 bq/kg for dairy products, 5,000 bq/kg for other foodstuffs, and 800 bq/litre for drinking water.

The Commission argues that it must leave a safety margin, and reflect public concern for safety in the event of a nuclear accident. It also argues that scientific opinion is by no means [illegible] that EC food exports could be badly affected if Community radiation levels are more lax than those in other parts of the world like the US, South-East Asia and Latin America.

Mr Stanley Clinton Davis, the environment commissioner, said the Chernobyl accident "revealed great gaps in our capacity to respond to the consequences of a nuclear accident." The member states took many weeks to agree common protective levels for foodstuffs, leading to considerable disruption of trade.

The current restrictions apply until the end of October, when they will either have to be renewed, or automatically lifted.

N-power the 'only Soviet option'

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union has no choice but to meet its energy needs by building more nuclear power stations, according to a senior energy specialist with the State Planning Organisation.

Dr Yuri Bublik says that, despite the advantages of gas cooled reactors, the first experimental models will only be introduced in the next five-year plan starting in 1990. In the meantime, the Soviet Union will have to rely on water moderated and water cooled reactors.

Writing in the daily Sovetskaya Rossiya, Dr Bublik says the basic problem of Soviet energy production and consumption is that 75 per cent of the 282m population live west of the Urals in the European part of the country but more than 90 per cent of its oil, gas, coal and hydro-electric reserves are to the east of the Urals.

Electricity generated in Siberia and transmitted to the west loses 8.5 per cent every 1,000 km. Coal mined from vast open-cast collieries in the east is cheap but its cost doubles with every 1,000-1,500 km haulage. The result is that coal is still being mined in the Donbass region of the Ukraine from a depth of 1 km and from seams only 60 centimetres high.

"We do not have, either today or in the immediate future, any economically substantiated alternative to the accelerated development of nuclear power generation," Dr Bublik concludes.

He adds, however, that last year's disaster at Chernobyl showed how sloppy planning had been in the past. Figures show that 41 per cent of nuclear power station plans were altered during construction in 1980-84. These alterations and the delivery of poor quality equipment meant that the final stages of power stations were often completed through "feverish construction work."

Even so, Dr Bublik says, the average completion time for a 1,000 MW set in the Soviet Union is 7-10 years compared to three years and three months in Japan.

Lisbon court convicts revolution hero

A PORTUGUESE court yesterday convicted the revolutionary hero Lt Col Otelo Saraiva de Carvalho of running a secret left-wing terrorist organisation that sought to overthrow the country's 11-year-old democracy, Ap reports from Lisbon.

The three-judge panel said the organisation known as Global Project sought to "subvert the normal functioning of the institutions of this democratic state consecrated in the Constitution."

Col Saraiva de Carvalho, the flamboyant mastermind of the 1974 Portuguese coup that ended half a century of right-wing dictatorship, and 63 other defendents were on trial in what was called "Portugal's trial of the century," lasting 19 months.

The judicial panel said prosecution charges that Col Saraiva de Carvalho founded a terrorist organisation "have been essentially proven." Global Project "caused armed violence and killed people."

Poverty gap between states grows

By William Dawkins in Brussels

THE GAP between poor and rich members of the European Community widened following last year's admission of Spain and Portugal to the Community, the European Commission said yesterday.

In a report on regional development, the Commission estimates that Portugal and Spain's arrival lifted to EC's population by 18 per cent but boosted the number of jobless by 30 per cent. The report, which underlines starkly the difficulties in reconciling member states' economic interests, says Portugal's income per head is around half of the EC average, while Spain's is 75 per cent.

"The picture that emerges is far from rosy. Regional disparities have become even larger," said Mr Alois Pfeiffer, the Commissioner in charge of regional policy.

While the Community's enlargement has played a big part in this trend, the report also blames above average rises in the labour force in the southern and western member states — like Italy, Greece and Ireland — and differing rates of adjustment to the decline of traditional manufacturing industries. Those factors, plus inadequate co-ordination of national and Community regional policies, have combined to leave the gap between the areas of highest and lowest unemployment two and a half times wider in 1985 than a decade previously.

Closer economic co-operation between member states is one of the aims of the Single European Act, now awaiting the results of an Irish referendum next week.

"The regional disparities identified in this report show that the Community is still a long way from having achieved these objectives," said the Commission, which is attempting to persuade member states to double regional funds by 1992.

The reports predicts that—in the right conditions—the completion of a genuinely free internal market by 1992 could help member states to catch up by trading more openly with their rich EC neighbours

The Single European Act

Irish juggle a hot political potato

BY HUGH CARNEGY IN DUBLIN

"WE WANT JOBS not missile bases; vote no" said one of the posters pinned up around the basement room in Dublin's Liberty Hall where the Irish Transport and General Workers Union was hosting a meeting on next week's Irish referendum on the Single European Act.

About 50 people had gathered for the evening meeting, including a couple of young Danes from a visiting Greenpeace ship and a member of the Scottish Campaign for Nuclear Disarmament who spoke in a gentle Highland lilt of the dangers small nations faced in alliances with more powerful neighbours.

The ITGWU opposes Irish ratification of the SEA and the mood in the audience caught the central fears among those campaigning against it: that the Act threatens Irish neutrality, would stunt Dublin's ability to pursue an independent foreign policy—and is a bad lot economically, to boot.

In the face of a confusing blast of campaigning by both the anti-act and pro-act camps, Irish voters are struggling to understand what it is all about.

The Act is meant to streamline the European Community and bring European unity a small step closer by economic measures designed to dismantle remaining trade barriers and political measures designed to ensure fullest foreign policy agreement between members. All EC members have ratified it except Ireland.

Mr Tony Brown, International Secretary of the Irish Labour Party, given the task of converting his listeners at Liberty Hall to the Act, made little impression with his evocation of the socialist dream of a united Europe. Mr John Caroll, President of the ITGWU, scoffed "the dream has left this country with a quarter of a million unemployed."

Mr Seamus O'Tuathall, a lawyer, said there was no doubt that Title 3 of the Act—under which the EC member states agree to work for a common foreign policy and to discuss "political and economic aspects of security," would inevitably drag Ireland towards alignment with NATO to which all EC states except Ireland belong. It was Title 3 that the Supreme Court ruled last month was unconstitutional, prompting the referendum.

Mr O'Tuathall closed the meeting by touching on an issue which triggers a host of Irish sensitivities about its painful historical relationship with Britain. In 1981, Ireland pulled out of EC economic sanctions against Argentina when war began in the south Atlantic over the Falkland Islands. "In the next Falklands war, we are in there right down to the last body," declared Mr O'Tuathall.

Opponents of the Single Act sprang quickly into action after Mr Raymond Crotty, an Anti-EEC economist, won his case against it in the courts, a decision that is holding up implementation of the SEA because it has to be ratified by all EC members before it can come in to effect.

In the face of a confusing blast of campaigning by both the pro-Act and anti Act camps, Irish voters are struggling to understand what it is all about.

The influential church itself has played a coy role. The Conference of major religious superiors wrote to all members of Parliament expressing concern about the neutrality aspect and the "serious moral implications" of the Act, but stressing their commitment to Ireland's involvement in the EC.

Despite the political disparity of those against the Act, their campaign has clearly rattled the main political parties

Fianna Fail, the government party, and Fine Gael and the Progressive Democrats, the main opposition parties, are fighting their case mainly on economic grounds: that it would be a disaster for Ireland, a big net beneficiary from EEC funds, to snub the rest of the Community on an Act they say cannot be renegotiated.

The big weakness in their campaign appears to be the neutrality issue. Staying out of

Senior politicians committed to Europe, some of whom privately admit that neutrality is anomolous and should be redefined or even abandoned, are on the defensive because they are reluctant to confront publicly what is in Ireland a very hot political potato.

Libyan team arrives for talks in Malta

By Godfrey Grima in Valletta

A HIGH-POWERED Libyan delegation begins talks here today with Malta's new pro-Western government of Dr Eddie Fenech Adami. They are expected to involve a wholesale review of relations between the two countries.

However, Libyan operations in Malta, which include a teachers' institute, a powerful radio transmitter which broadcasts to Europe and the US and a lending library, are not believed to be under threat.

Dr Fenech Adami's government is anxious to convince Libya that its pro-Western policies should not be viewed as harmful to Tripoli's interests. Greeting the delegation, which is headed by the Industries Minister, Mr Fathi Hamed Shatwan, Dr Fenech Adami emphasised Malta's desire for continued close friendship.

Libya's importance for the island springs from its geographical proximity, its 10 factories on the island and its healthy trade balance with Malta. Last year Libya bought M£9m (£16m) worth of semi-manufactures.

The delegation had originally been due to arrive last Saturday, but was delayed when Col Muanmar Gadaffi decided to upgrade it by including Mr Ahmed Shahati, a key figure at the Foreign Ministry.

Corriere della Sera baton passes to a long-distance runner

BY ALAN FRIEDMAN IN MILAN

European Diary

Italy

"I AM an anomaly," says the short and slightly rotund 67-year-old Russian-born American citizen who has just taken over as the editor of what used to be Italy's leading daily newspaper, the Milan-based Corriere della Sera.

His given name at birth in Moscow was Mikhail Kamenetzki, but in 1939, then a 20-year-old anti-fascist intellectual and writer in the Rome underground movement (his family emigrated to Italy in 1921), he changed it to Ugo Stille. For the past 41 years it was with this respected byline that, as the Corriere's chief US correspondent, he signed his despatches for New York.

"I love New York," says Mr Stille, speaking fondly of his apartment on East 81st Street and his friends Norman Mailer, Saul Bellow, Mary MacCarthy and other "members of the New York Review of Books circle."

Mr Stille's predecessor as editor, also a former foreign correspondent, saw his career come to a quick finish some three months ago, on February 12, just before he was to set off for lunch. The affable Piero Ostellino was informed by his bosses at the Rizzoli publishing group that he would be resigning several months before his contract was due to expire.

Mr Ostellino was sacked, according to members of his own editorial staff, mainly because he allowed the Corriere to drift and was unable to see off competition from La Repubblica. The Rome daily has overtaken the Corriere's 510,000 copies a day by 30,000 to 40,000

Further, say insiders at the Corriere, Mr Ostellino's editorial line was seen as possibly being too close to the Socialist Party, and Fiat (which indirectly controls the newspaper through the Gemina holding company) wanted a more neutral and non-political editor.

Mr Stille, who speaks flawless English, lends credence to this interpretation. "There are times to appoint a political editor and there are times to appoint a professional. I was selected firstly because I have been with the paper for 40 years and I represent tradition, but secondly because I am free of all political influence," he says.

What does he think of Italian politics? "I'm not even going to comment."

How, then, does having lived in New York for four decades prepare one to become editor of the Corriere della Sera? "It can be helpful," he replies.

And what is to be done to improve the Corriere, which Mr Stille admits is much in need of reorganisation? "This is a newspaper with an enormous potential which needs to be taken advantage of. We need to get the Corriere back to its tradition of being authoritative, but we also need to make it more modern."

Mr Stille is an unpretentious and extremely relaxed individual. He is perfectly willing to discuss even delicate issues. How for example, does he feel about the Corriere's ability to provide objective financial coverage of Fiat, which not only controls his newspaper but the Turin-based La Stampa also? He first admits that in Italy the manipulation of newspapers by their corporate owners "can be a problem" and then declares that "I pressure."

For the present, he is concentrating on trying to revive his newspaper's flagging fortunes, which he acknowledges will be a "tiring labour" and a "challenge."

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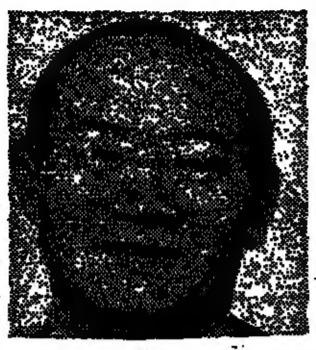
S. Korea court protest over judge's decision

BY MAGGIE FORD IN SEOUL

THE DEFENCE counsel in the trial of three South Korean journalists accused of violating the country's national security laws yesterday protested strongly at the judge's refusal to allow the accused to call expert witnesses on press freedom.

The journalists, who work for a bi-monthly magazine "Words" were charged following their decision to publish guidelines issued by Seoul's Ministry of Culture and Information to local newspapers on what *they should print. The journalists* face long jail sentences and in theory even the death penalty if they are found guilty.



Chun Doo Hwan

Attention has focused on the case because the South Korean Government has recently offered to allow a greater measure of press freedom. The offer came in the wake of President Chun Doo Hwan's announcement last month that talks on democracy were to be suspended until after the Seoul Olympic Games in 1988.

South Korea's press has been more strictly controlled than in most Asian countries for years, although some relaxation has been permitted recently. The two journalists who work for "Words" were sacked from their jobs on national papers in 1975 and 1980 during government purges of journalists seen as too radical.

The third journalist, a sub-editor on the Hankuk Ilbo daily newspaper, is charged with supplying a copy of the ministry guidelines.

Government officials say that because of the country's security situation, it is necessary to ask newspaper editors' co-operation on military, diplomatic and ideological matters. But according to senior South Korean journalists, the guidelines routinely instruct press and television on the length and placement of articles, on whether or not to use pictures or film of individuals or events and on what articles may not be published.

Counsel for the three accused yesterday told a courtroom packed with about 150 foreign and local journalists that the people's aspirations for democracy and freedom rested on the outcome of the hearing.

He complained that the judge, who had earlier been praised for conducting a fair trial, had no independence and was subject to "invisible pressure."

The defence has called an array of senior local journalists and editors to the witness stand. But before the hearing the judge decided that plans to call experts on press freedom, including resident foreign journalists who have published articles about the trial, could not go ahead.

Yesterday's hearing was abruptly adjourned until next week by the judge after a volley of defence protest at his decision had excited applause from spectators and heated argument from the prosecution. A Ministry of Culture and Information spokesman said there would be no comment until the case was concluded.

P.W. Botha warns business on politics

SOUTH AFRICAN President P.W. Botha has told businessmen to stay out of politics and confine themselves to commercial affairs, Reuter reports from Bloemfontein.

Addressing the influential Afrikaanse Handelsinstituut (Commerce Institute) last night, Mr Botha said his warning applied particularly to attempts by some South African businessmen "to improve the credibility of revolutionary elements" like the outlawed African National Congress (ANC) guerrilla group.

"*Let each of us – government* and the private sector – carry out the responsibilities entrusted to us in our own terrains," he said.

"Business leaders can now safely leave the government in the hands of the people who are the chosen leaders of the country."

In his bluntest speech yet on the involvement of businessmen in politics, Mr Botha warned executives not to try to prescribe to the government on political issues.

He also warned the heavily censored media and the universities not to promote opposition activities "under the guise of freedom of the press and of expression."

Mr Botha singled out executives who have held talks with exiled leaders of the banned ANC for particular criticism.

He did not name the businessmen, but said the ANC was "cynical and even insulting" about them. Two years ago, a group of South African executives, most of them members of the country's English-speaking corporate elite, went to Lusaka, Zambia, to talk with ANC representatives.

Last year, the country's two biggest employer groups, the Federated Chamber of Industries (FCI) and the Association of Chambers of Commerce, advanced detailed proposals for political federalism.

They called for a bill of rights that would give all South Africans a vote, but retain guarantees for the security of the white minority.

Tony Walker examines the pressures on Mubarak after the IMF pact

Egypt battles with its past

In conversation with Egyptian intellectuals and officials about their country's financial crisis, it is surprising how often the name Khedive Ismail is mentioned. It is almost as if the 19th century ruler is a contemporary figure.

These references to the profligate Ottoman ruler, who bankrupted Egypt and was forced to sell its share in the Suez Canal to Britain, reveal how important Egypt's past is in assessing its present and the future. Egyptian sensitivity about indebtedness to foreign banks is attributable in part to Khedive Ismail's legacy.

Khedive Ismail—thorny legacy

The International Monetary Fund last week, after protracted negotiations, approved an *Egyptian request for $325m in* balance of payments support as part of the first phase of a rescue package that requires Egypt to begin implementing limited economic reforms.

A feature of the IMF agreement is its flexibility on the timing of reforms and its sensitivity towards political constraints on the Egyptian government. There is no requirement, for example, for bread price rises.

A generous IMF arrangement, while hardly viewed by Egyptians as an ideal solution to their problems, will, nevertheless, provide a breathing space for the hard-pressed Administration.

But Egyptians question whether President Hosni Mubarak, who is nearing the end of his first six-year term, will make the best of diminishing opportunities to overhaul a cumbersome bureaucracy, widely acknowledged to be the

Mr Tahsin Bashir, a former senior diplomat and spokesman for Mr Sadat, believes that Egypt is an "institutional bureaucracy" incapable in its present form of responding to challenge such as the poor record of public sector industry which is responsible for 70 per cent of industrial output the failure of agriculture to meet the needs of a growing population, and urban overcrowding.

Acceptance of the IMF reform package is seen in Egypt as a possible important step towards a rationalisation of the economic and bureaucratic structure, but optimism is tempered by lessons of the past. An IMF loan agreement in 1978-79 quickly collapsed because of lack of political will to pursue reforms.

This time, the position is more precarious with queues of creditors knocking at the doors of the central bank. Egypt needs an IMF agreement to facilitate, through the Paris club, a rescheduling of about $10bn of official debt.

This would enable it to re-establish its creditworthiness, undermined by mounting arrears on its total foreign debt of about $40bn. Payments on suppliers credits, for example, are more than 20 months overdue.

Western officials regard as promising Egypt's acceptance of IMF terms which include reductions in the budget deficit, exchange rate reforms, increases in interest rates, restrictions on credit and energy price rises. But they warn that the reforms mark a minimum first step.

Price increases for fuel oil and kerosene, even though substantial in percentage terms, leave them at only a fraction of the cost of such items on the world market.

Progressively tougher IMF requirements will be attached to the disbursement of additional funds—if Egypt is able to sustain the reforms. "If there are any problems I'm sure they will backtrack," said a Western economist.

Egypt's main concern about the package, apart from a worry about the political consequences of being seen to bow to external demands, appears to be over the possible impact of the reforms on prices. A senior IMF official said that Mr Mubarak was less concerned about the substance of the IMF programme than about its inflationary effects.

Increases in Egypt's cost of living are estimated by independent authorities, such as the World Bank and IMF, to have been between 20-30 per cent in 1986. This is a significant increase on the year before when price increases were in the order of 15 per cent. Inflation is both an enemy of reform and a threat to the IMF programme.

Bankers are also worried about the impact on economic growth of IMF-inspired measures to restrict credit. They say this could deepen the recession, as it will affect most immediately the more dynamic private sector.

The IMF agreement and its aftermath is seen as a possible watershed in Mr Mubarak's Presidency. It affords him an opportunity to push forward genuine reforms, but it is also a potential danger period if the reforms lead to undue pressures on prices.

The good news for Mr Mubarak is that two of Egypt's main foreign exchange earners have strengthened. Oil prices have firmed and tourism is up.

Not all Egyptians necessarily welcome signs that pressures are easing on the government. They fear that this might encourage it to ignore the need for fundamental reforms. "I'm happy if there are pressures," said Mr Bashir. "I think the Egyptian system works better under adversity."

ECONOMIC INDICATORS

	1982	1983	1984	1985	1986	1987*
Real GDP growth %)	5.5	7.5	5.0	6.9	3.0	—
Inflation (%)	14.9	16.1	17.1	13.5	25.0	25.0
Current account (US$m)	−1,852	−411	−2,081	−2,245	−3,000	−3,000

* Estimates.

Indonesia urged to adopt fresh reforms

By John Murray Brown in Jakarta

THE WORLD BANK has called on Indonesia to adopt new trade and investment reforms while maintaining balance of payments stability in the wake of last year's dramatic collapse in oil earnings.

In its confidential annual report, the Bank recommends continued tight monetary policy, the roll back of agricultural subsidies and the dismantling of trade protectionism to encourage non-oil exports.

The report comes ahead of next month's meeting of Western donor nations in The Hague of the Inter Governmental Group on Indonesia.

The Bank recommends the level of aid—in the form of soft loans and grants—at $2.5bn (£1.5bn), much the same as amounts pledged in 1986. However the Bank urges donors this year to provide "special assistance in the form of local cost financing."

The report estimates that non-oil growth in the economy will be at 2 per cent over the next two years. Total GDP growth last year was estimated at 2.4 per cent.

The Bank projects Indonesia's annual external borrowing requirements over the coming three years at $6.9bn, 25 per cent higher than present levels.

Total debt is forecast to reach $46.1bn in 1990, but the service ratio—debt repayments as a percentage of exports of goods and services—will peak at 41 per cent in 1987-88 compared with 37 per cent in 1986-1987.

While continuing to cut imports — down 15 per cent in 1986 the Bank calls for further deregulation in import and trade licensing to keep the current account deficit in 1987-88 to about $2.3bn, down from $4.1bn in 1986-87.

Left wing threat to Aquino

By Richard Gourlay in Manila

THE left wing Alliance for New Politics yesterday said there was a good chance its supporters would become disillusioned and abandon electoral politics in favour of armed struggle following what it said were fraudulent elections in the Philippines last week.

The ANP accused the administration of President Corazon Aquino and her coalition of massive vote buying and intimidation by the military especially in areas where its candidates were strong. Mrs Aquino looks likely to win 22 of the 24 senatorial seats and three quarters of the 200 elected House of Representatives seats.

The Government claims some of the political movements in the ANP have strong links with the Communist New People's Army rebels.

Japanese held for selling US fighter secrets

By Carla Rapoport in Tokyo

TOKYO police have arrested four Japanese for allegedly selling US military information to the Soviet Union in what is believed to be the first case of its kind.

The information, which concerned the US F-15 aircraft, was allegedly stolen by a Japanese employee at the US military base in Yokota, near Tokyo. He then sold the information to a Tokyo-based writer on military affairs who in turn, sold it to two others.

All four are now co-operating with police inquiries. The Soviet officials who bought the information, however, have since left Japan.

The Japanese are treating the case is theft, not espionage. However, police investigators say that evidence of spying could emerge from subsequent questioning of the four suspects.

Israel cabinet to consider sanctions plan

AN ISRAELI Government committee has prepared a report for cabinet approval on sanctions against South Africa in line with those adopted by Western nations, Reuter reports from Jerusalem.

A Foreign Ministry official declined to elaborate on the contents of the report prepared by a group led by Mr Yossi Beilin, Foreign Ministry Director-General.

Officials have said Israel, in protest against Pretoria's racial policies, was considering banning new investments in South Africa, reducing trade and barring ministerial visits.

Israeli leaders have been under US pressure to reduce ties with South Africa. They asked the committee to propose trade and cultural sanctions two months ago, when Israel announced a ban on new military contracts with Pretoria.

CITICORP AND THE DEBT CRISIS

PARIS CLUB DEAL

Argentina signs $2bn debt payment accord

BY ALEXANDER NICOLL

ARGENTINA yesterday clinched a $2bn debt rescheduling agreement with the Paris Club grouping of sovereign creditors, a key element in the country's extensive refinancing programme.

The agreement wins terms believed to be unprecedentd for a Latin American debtor and will strengthen Argentina's case with commercial banks from whom it is currently seeking a $32bn rescheduling and new loan package.

Argentine debt falling due from January 1986 to June 1988 will be rescheduled over 10 years, including six years grace. Unlike Brazil and Mexico, Argentina has succeeded in having 100 per cent of principal and interest rescheduled both on arrears and payments still to come due.

The agreement is conditional on Argentina finalising its International Monetary Fund programme, which in turn is dependent upon the bank package reaching the "critical mass" of acceptance, believed in Argentina's case to be more than 90 per cent of the total.

Separately, the World Bank's board has approved a $500m loan to support Argentine export reforms, part of a $2bn package of financing from the Bank.

The Paris Club, which agreed an $884m rescheduling pact with Zaire this week, is also scheduled to hold talks with Egypt.

The agreement is part of a series by major debtor countries with sovereign and commercial creditors which has helped to reduce concerns about the debt crisis and paved the way for Citicorp to adopt its new stance this week.

Wary welcome from Third World debtors

THE Brizilian Government—Citibank's largest foreign debtor with liabilities of $4.6bn—responded cautiously to the bank's decision to raise its reserves, while foreign bankers in the country appear divided over the measure, Ivo Dawnay writes from Rio de Janeiro.

After a meeting with Mr Michael Kelland, president of Citibank in Brazil, Mr Luiz Bresser Pereira, the Finance Minister, issued a statement insisting that the step would not influence the country's negotiating strategy on its $113bn foreign debt.

Citibank's move, exactly three months to the day after Brazil's suspension of payments on its longer-term commercial debt, has provoked considerable unease in financial circles.

Some foreign bankers believe the move will open new options for resolving Brazil's debt crisis, but others suggest it will also inevitably weaken the country's tough negotiating stance in forthcoming debt talks, as yet without a scheduled date.

"It gives Citibank the flexibility to be either tougher or make concessions," one banker said. "I fear it means they will be tougher."

But another foreign banker with a substantial exposure in Brazil said the measure was a positive step both for the country and its 350-odd creditor banks. "It means we are going to negotiate from a position of strength and coherence in a constructive way," he said.

Tim Coone writes from Buenos Aires: Official reaction in Argentina was muted, while the foreign banking community felt that Citicorp's decision will greatly strengthen the position of the banks in future negotiations on Latin American debt.

Mr Richard Hanley, the president of Citibank, Argentina, however, was at pains to stress that "there is no question at all of taking a loss on Argentina's debt, or indeed of any country's debt. There will be no write-down of loans and we intend to continue negotiating solutions that will help to stimulate growth in these countries. We are willing to continue refinancing within the Baker context."

A senior executive of another US bank in Argentina warned, however, that Citicorp's move could provoke deeper divisions within the steering committee which Citicorp leads in the various debt renegotiation rounds. "Many banks are terrified of provoking a confrontation with the debtors as their reserves are totally inadequate should one of the major debtors default.

"Citicorp tends to take a hard line with the debtors and it will now have a tremendous increase in bargaining power both with the debtors and within the steering committee."

David Gardner writes from Mexico City: senior central bank officials greeted Citicorp's move yesterday as reflecting the risk of their Third World exposure in their profits and finally recognising reality.

A senior Finance Ministry official said the move opened up new possibilities of more far-reaching solutions to the debt crisis and of offering longer term relief to debtor countries.

The official noted that in Mexico's recently concluded marathon negotiations with its creditor banks a range of longer term, more imaginative solutions to the country's debt burden—such as the partial capitalisation of interest or exit-bond facilities for some creditor banks, could not be given serious consideration.

In some quarters Citicorp's ability to make such massive loan loss provisions is seen as providing the clearest evidence yet that US banks have long been in a position to make greater concessions to sovereign debtors, and that they have been making "artificial" profits even as the secondary market was putting a much lower real value on loans to less developed countries.

British clearers face loss provision pressure

By David Lascelles, Banking Editor

AFTER the US banks, British banks face potentially the most difficult decisions in the wake of Citicorp's move to transfer $3bn to its loan loss reserve.

Although they have steadily been increasing their reserves against loan losses in recent years, the UK clearers remain among the less well provided for as regards Third World debt.

While it seems unlikely that any of them will be prompted to make a sudden massive provision as Citicorp has done, the move by the largest US bank will ensure that pressure for further provisions will be maintained. The statement by the Bank of England yesterday will make sure of that.

The two most exposed banks are Midland Bank, which acquired most of its Latin American exposure through Crocker National Bank, its former US subsidiary, and Lloyds Bank which has traditionally had a large business in countries such as Brazil, Argentina and Mexico.

At the end of last year, Midland had a total of £3.4bn out to Brazil, Mexico and Argentina.

Although Midland does not detail its provisions, it did make a special £160m charge against loans to "certain rescheduling countries" in its 1986 accounts.

Its total provisions at the end of the year amounted to 3.1 per cent of its loans, below the 3.7 per cent set by Citicorp after this week's increase.

To achieve Citicorp's level in one swoop, Midland would have to set aside £400m to £600m, analysts estimate, which would leave it with a loss of £200m on this year's profit expectations.

Lloyds Bank has £2.7bn out to Mexico, Argentina and Brazil. Its total provisions at the end of last year amounted to £767m, equivalent to 2.3 per cent of total loans.

If Lloyds were to match Citicorp, the cost would be equivalent to well over half this year's expected profits, again making dramatic action most unlikely.

Both Barclays and NatWest have smaller exposures to the Third World debt problem.

Mr Peter Leslie, the managing director of Barclays, said last night that Barclays regularly looks at its exposures and builds up its reserves as it sees necessary. "Every bank must read this in its own way," he said.

The other factor weighing in the equation is the progress British banks have made in increasing their capital resources, as this also makes them better able to withstand losses.

The exception here is Midland whose reserves were depleted by losses suffered through Crocker National Bank.

There was renewed speculation in the markets this week that Midland will shortly make a rights issue, though any such plans may well have been affected by the Citicorp announcement.

Brodersohn serves up a financing menu

Alex Nicoll on Argentine efforts to secure a $32bn package with bankers

MR MARIO BRODERSOHN, Argentina's Treasury Secretary, is offering banks what he hopes will be a tempting meal. He wants them to devour it quickly.

The bespectacled, pipe-smoking official, who has the air of an affable intellectual and a strong theoretical grasp of the developing world's debt problem, has turned salesman.

At meetings with bankers around the world, he has been urging them—with the help of International Monetary Fund and World Bank officials as well as leading bankers—to accept his country's $32bn bank financing package.

The request for a $30bn rescheduling and $1.95bn new loan is a crucial test of the "menu" approach, under which banks and the borrower offer each other a range of alternative financing options.

The hors d'oeuvre, Mr Brodersohn quipped yesterday, is a juicy incentive fee for banks which commit themselves quickly. The main course includes what is known as a "carve-out." And for dessert, "exit" bonds.

All these are innovative elements of a package which was already something of a watershed and has taken on added significance since Citicorp, which heads Argentina's advisory committee organising the deal, adopted its new approach to Third World debt this week.

All parties to the five-year-old debt crisis have accepted—with the painfully slow arrangement of a $7bn loan for Mexico and Brazil's slide into new, as yet unresolved, payments problems — that the format of rescue packages was in need of drastic overhaul.

Mr Brodersohn has spoken not only of the need to find a longer-term solution to the problem of transfers of resources, but to speed up the procedures of existing mechanisms.

Argentina, he points out, set out on the road to refinancing last autumn when it opened negotiations with the IMF, and is awaiting the commitments of banks to their package before it can receive IMF money.

Hence the elements of the Argentine bank package, which could prove a model for other countries. They include:

- Fees of ⅜ of a percentage point if banks commit to provide new loans of $1.95bn by June 17 and ⅛ by July 17.
- The "carve-out." This means that all Argentina's bank debt is being rescheduled instead of a situation whereby loans mature in certain years. Aregntina thus obtains a true seven-year grace at the beginning of the 19-year rescheduling, and scaled repayments of principal increasing each year so that 58 per cent of the $32bn will be repayable after the year 2000.
- Debt-equity swaps. Though these are by no means new, the Argentine plan is extensive and linked in with other elements. It requires debt-holders to put in an additional $1 of "matching funds" for each $1 face value of debt swapped, but provides alternative means for the new money to be put in.

The principal course for banks is a 'carve-out,' with exit bonds offered as a tasty dessert

- One of these is through a $350m investment fund which can use money advanced under the new loans.
- "Exit bonds." Banks are being offered, up to a maximum of $5m each, 25-year, 4 per cent bearer bonds which would terminate their exposure, meaning that the debt replaced in this way would never again become subject to rescheduling or new money requests.
- "New money bonds." Banks may elect to make the new loan, up to a maximum of $1m each, in the form of bearer bonds with the same terms as the new loan, similarly immune from rescheduling. This is aimed at small banks reluctant to take part in new loans.

Though most bankers do not question the concept of the package, they want to be sure that Argentina's economy is still on track and have been watching negotiations on wages with concern. Mr Brodersohn has high hopes that the wage/price freeze can be lifted without an explosion in both, and that this should be achieved "without too much social tension."

Banks, mindful of the Mexican loan, are also concerned about "free riders"—banks which refuse to take part but must continue to be paid interest on old loans out of money lent by banks which do take part. In Argentina's case, there are fewer US regional banks. Also, there is almost no "cushion"; banks have all been asked to up 9 per cent of their asked to put up 9 per cent of their exposure, and unless they all do so, the $1.95bn new money target will not be met.

While banks assess their response, Mr Brodersohn can sit back at least for a moment. After visiting Tokyo, Washington, Toronto, Paris and Frankfurt last week, he is taking a day off in Rome tomorrow after completing three days of talks in Paris.

Citicorp move 'not a precedent'

By Stewart Fleming, US Editor, in Washington

IN apparently co-ordinated statements, US and bank regulatory officials in Washington stressed that although Citicorp had discussed its move over Third World loans with bank regulators and the treasury, it had made the decision on its own without setting a precedent for other banks.

The move was made "entirely at Citicorp's initiative" the Federal Reserve Board said. "It was their own judgment of what kind of reserve positions they should make. We don't consider this to be a precedent for other banks."

The Fed noted Citicorp's statement that it would continue to support the Baker initiative on Third World debt and stressed the importance of banks continuing to make funds available to borrowers "where appropriate."

Some monetary officials wondered, however, what the implications of the Citicorp move might be for the debt strategy, if, as is widely assumed, other major banks which are sufficiently strong financially follow suit.

According to one official, the Citicorp move does not alter the underlying economic realities of the debt situation but, not least because of the dramatic character of the move, it could change attitudes.

It could make it more difficult than it already is to put together big involuntary lending consortia for developing countries and it might accelerate the tendency of banks to drop out of lending consortia, one official agreed.

The Citicorp decision was seen as a move which would tend to strengthen the bank in negotiations with Third World borrowers. "You can be tougher" in negotiations with debtor nations, one US official suggested.

Stephen Fidler examines the growing trend towards trading in debt

Loan market emerges from twilight

THE VEIL is slowly being lifted on the trading of Third World bank loans, a market of high risk and potentially huge returns.

The market emerged soon after Mexico triggered the first wave of the Latin American debt crisis by declaring in August 1982 that it could not meet its foreign loan obligations.

It represents one strand in a huge shift over the last five years towards the transfer of capital through the securities market rather than via banks. Banks have become increasingly discontent with their traditional role of making loans and holding them, but have sought to pass on the risk of the loans to others.

Its move into the public eye comes as the view of the market has shifted. Originally seen as a source of embarrassment to banks struggling to maintain the value of their portfolios of loans to less-developed countries, the market is increasingly considered a weapon in an armoury of possible methods to tackle the crisis.

When Citicorp declared on Tuesday that it would boost its loan loss reserves by $3bn, Mr John Reed, its chairman, said the bank would engage in debt-equity swaps, sell debt at a discount and "trade out its portfolio" to help "reliquify" its Third World loans.

The prospect of extra supply of loans from US banks could be expected to hit prices in the secondary market, even though Citicorp's move might help to break the logjam which is standing in the way of solutions to the debt crisis.

Indicative of the market's emergence out of the twilight, the US investment bank, Salomon Brothers, last week published a table of prices of Third World debt, which it plans to issue weekly. Two of the eight dealers trading LDC assets in its high yield department gave a press conference in New York to explain their market.

INDICATIVE PRICES FOR LESS DEVELOPED COUNTRY BANK LOANS

	Bid	Offer
Argentina	59.50	60.50
Bolivia	9.00	11.00
Brazil	63.00	64.00
Chile	70.50	72.00
Ecuador	52.00	55.00
Mexico	58.25	59.00
Nigeria	31.00	32.00
Peru	15.00	17.00
Philippines	70.50	72.00
Poland	44.50	45.50
Venezuela	72.50	73.50
Zambia	18.00	22.00

Prices of May 18. Percentage of loan face value.

Source: Salomon Brothers

Since it cannot be assumed that the countries concerned will meet their contractual terms, the market is almost never discussed on the basis of yields. But potential rewards are as high as the risks.

If Poland, for example, keeps to its current repayment schedule, the annual yield on its loans at current secondary market prices would be a huge 45 percentage points over the banks' cost of funds. Even if it were to reschedule indefinitely but keep current on interest, the yield would still exceed 15 points over interbank rates.

Banks have become increasingly discontent with their traditional role of making loans and holding them, and have sought to pass on the risk of the loans to others

Mexico's debt would yield seven to 7.5 points over interbank rates if it repays on time. If it does not, that margin would fall to 5.5 to six points.

According to Mr Stephen Dizard and Mr Kenneth Telljohann of Salomon, by far the most actively-traded debt is that of Mexico and Chile. This is largely because of the active debt-equity swap programmes being run by the two countries, which have encouraged non-financial companies to buy debt in the secondary market so they can invest there.

They estimate that total trading volume in the market, which is based in New York and London, could reach $10bn to $15bn in 1987, compared with $8bn in 1986 and $1bn to $2bn in 1982-1983. Each trade in the market is worth on average about $3m, they say, although Salomon says its average is closer to $7m.

Trading is also becoming increasingly sophisticated, and three or more parties are commonly involved in complicated asset swaps. Arbitrage, allowing banks to profit between the price differences between the markets in new and existing loans, has also been common.

There have even been swaps between LDC loans and other high-yielding instruments, such as perpetual floating rate notes. The market in perpetuals, instruments issued by banks with no final maturity, dried up last year and prices plunged. An estimated $150m in switches between these two markets has been made but the interest is now primarily in acquiring the perpetuals.

Trading also exists in expected interest payments. The futures market in interest payments by Brazil—which suspended them in February—trades at a higher price than the underlying debt because of the expectation that it is more likely to be repaid.

Some 250 commercial and investment banks and about 50 non-financial companies are said to be involved in the market. Trading is relatively active in debt of about a dozen countries, but the debt of another 23 are traded.

The market is felt to offer hope to some countries for a way out of their debt predicament. "The market is making countries more aware of managing their debt," said Mr Telljohann.

Bolivia is the only state known to be working on a plan, in its case to be funded by Western governments, to buy back its debt in the secondary market, where it is currently priced at about 10 per cent of its face value.

Despite concern that the market might be manipulated by debtor countries, there is no evidence that this has happened so far, nor any support for rumours that some governments have been secretly buying back some of their debt through the market.

There are other problems. One of the thorniest is that of the so-called contamination of bank portfolios—the risk that growth in the market may mean that bank loans, like securities holdings, would have to be written down to reflect their market value.

In the US, a view seems to be developing among accountants that marking to market in this way should only be required if a loan sale indicated either that the whole of a bank's portfolio in that country's debt would be sold, or that the portfolio would never be collected.

AMERICAN NEWS

Sandinista forces drive Contras into Honduras

BY PETER FORD IN MANAGUA

THE SANDINISTA army has driven several hundred "Contra" guerrillas back into neighbouring Honduras, and seized a camp the rebels had established inside Nicaragua during its biggest ever operation.

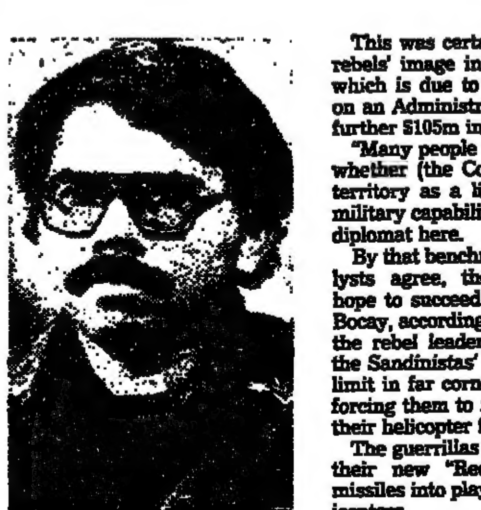
But the assault appears to have served more political than military purposes, according to military experts here, who do not see the incident as a major setback for the Contras.

Marshalling over 3,000 troops and 36 helicopters, the Sandinista army last week stormed rebel positions in the Bocay Valley, one of the most remote and inaccessible areas in all of Nicaragua, close to the Honduran frontier.

In recent weeks, the Contras had taken a steady stream of foreign journalists into the region, showing off their camp at Las Amatas to illustrate their presence inside Nicaragua.

"From a military point of view the Contras weren't doing us any damage there, but we were interested from a political perspective," a Sandinista army officer explained.

In Tegucigalpa, the Honduran capital, a leader of the "Nicaraguan Democratic Force" (NDF) the largest Contra army dismissed the loss of the camp, which had been used to co-ordinate supply operations for guerrillas deeper inside Nicaragua.



President Daniel Ortega

Although Humberto Ortega, Nicaraguan Defence Minister General, claimed his troops had killed around 100 Contras in the operation, reporters helicoptered into the recuperated zone saw only two rebels dead.

It appeared that the bulk of the Contra force, estimated at between 700 to 800, had slipped back into Honduras before the Sandinista troops arrived.

This was certainly a blow to the rebels' image in the US Congress, which is due to vote next autumn on an Administration request for a further $105m in Contra aid.

"Many people in Washington use whether (the Contras) can control territory as a litmus test of their military capability," said a Western diplomat here.

By that benchmark, military analysts agree, the Contras cannot hope to succeed. But their plan in Bocay, according to sources close to the rebel leadership, is to stretch the Sandinistas' supply lines to the limit in far corners of the country, forcing them to make heavy use of their helicopter fleet.

The guerrillas then hope to bring their new "Redeye" anti-aircraft missiles into play against those helicopters.

But the Sandinista army is not expected to keep large numbers of troops in such a remote and militarily insignificant area as Bocay for long, now they have achieved their political goal.

Last week's operation "was not so much a military affair as a counter-propaganda action, against the Contras' propaganda about their setting up bases inside Nicaragua," a foreign military expert said.

"If there hadn't been all that fuss, the Sandinistas would never have used all that fuel," he adds.

Lobbying bill moves through committee

THE SENATE Judiciary Committee has approved legislation to prohibit White House officials, cabinet officers, federal judges and members of Congress from lobbying for another country for at least three years after they leave the US Government, AP reports from Washington.

The measure was passed and sent to the full Senate.

"This bill will restore public confidence in government service by cracking down on the abuses of high-ranking federal officials who sell their influence to private clients," said Senator Strom Thurmond, the committee ranking Republican.

Mr Michael Deaver, former White House deputy chief of staff, has been the subject of an investigation by a special prosecutor for his activities on behalf of foreign governments since he left the Government.

Under the proposed legislation, a three-year ban would be established on the government's highest ranking officials – cabinet members, members of congress, the top 25 White House aides and federal judges – from lobbying or working for a foreign entity after they leave government service.

Argentine guerrilla leader jailed for life

BY TIM COONE IN BUENOS AIRES

A FORMER Argentine guerrilla leader, Mr Mario Firmenich, was sentenced on Tuesday night to life imprisonment by a Buenos Aires court.

The one-time leader of the Montonero guerrilla organisation was charged with responsibility for the kidnapping of Juan and Jorge Born in 1974, and for which a US$60m ransom was reportedly paid. The Born brothers belong to a famous family company known as Bunge and Born, which has big interests in the international grain trade.

An executive and chauffeur of the group died in the kidnapping. Mr Firmenich has also been declared responsible for this.

The 30-year sentence comes in the midst of a controversy over government efforts to put an end to the trials of junior and middle ranking officers of the armed forces and police who commited human rights abuses during the repressive campaign against the guerrillas and other opponents of the military juntas during the last decade.

The Argentine senate was due to go into secret session yesterday evening to hear reports from the Defence Minister and head of the intelligence services regarding the state of unrest in the armed forces, before voting on a bill which would absolve all junior and middle ranks from responsibility for murders and torture carried out during military rule from 1976-83.

Five leaders of the military juntas of that period were imprisoned for life in 1985. The bill is being pushed through the legislature by the government in an attempt to prevent a repetition of the military rebellion which took place last Easter weekend.

In a related development, the three heads of the Argentine armed forces declared their loyalty to the constitution on Tuesday.

Mr Firmenich's long sentence will fuel the controversy. He was extradited from Brazil in 1984 and under the terms of his extradition the prison term has to be limited to 30 years. The sentence would otherwise have been longer.

However, many questions surround Mr Firmenich, not least why he handed himself over to the Brazilian authorities facilitating his extradition and subsequent imprisonment in Argentina.

He was originally a right-wing student leader in the 1960s, with strong Nationalist and Catholic roots. Within the Peronist movement he later adopted a left-wing stance and became a leader of the Montoneros.

There is also mounting evidence that he maintained links with the Argentine security forces at the height of the guerrilla war in the early 1970s. He is also accused by ex-members of the Marxist rival guerrilla organisation, People's Revolutionary Army, for having set up the ambush and death of their leader by security forces in 1975.

Defence probe dropped against General Dynamics

BY JAMES BUCHAN IN NEW YORK

GENERAL DYNAMICS, the largest US defence contractor, has emerged unscathed from a three-year criminal investigation into allegations that it padded contracts to build submarines in the 1970s.

The Administration's decision to drop the investigation marks the second time it has failed to bring charges of fraud against General Dynamics and is sure to lead to Congressional pressure for closer Pentagon supervision of contractors.

The Justice Department said on Tuesday that there was no "reasonable prospect of a successful prosecution" because it did not have evidence to show that executives of General Dynamics' Electric Boat division conspired to defraud the Defence Department.

The prosecution's difficulties arose from the responsibility of Navy inspectors to supervise the contracts and the quality of the evidence from a key witness.

General Dynamics, which is based in St Louis, Missouri, said the Justice Department's decision "gives us comfort after the years of allegations, accusations, investigation and adverse publicity."

But the failure of the case at once ran into Congressional criticism. Mr John Dingell, a Democrat congressman who heads the House Energy and Commerce Committee, said he planned to hold hearings on the "apparent acquiescence" of military officials "in overruns and other abuses by their contractors."

The original inquiry was launched in 1979 and concerned a Pentagon payment of $544m for alleged cost overruns on a $1.8bn contract for building Los Angeles-class submarines.

The inquiry was dropped in 1981 but reopened in 1984 when Mr Takis Veliotis, a former executive at Electric Boat, turned over tapes which purported to show that the company misled the Pentagon over cost overruns.

The prosecution was anxious that Mr Veliotis, who lives in Greece, would demand immunity from prosecution and be discredited in the eyes of a jury.

هكذا أتى الأصل

US set to resist Tokyo plans for global chip deal

BY LOUISE KEHOE IN SAN FRANCISCO

PROPOSALS reportedly being drawn up by the Japanese for a new international semiconductor trade agreement would meet strong resistance in the US, officials said yesterday.

US industry and government officials stressed, however, that Japan had not tabled the proposals in Washington, either officially or unofficially.

They said that the reported proposals for a global chip trade agreement based upon floor prices and quotas amounted to little more than an expansion of the position adopted by Japanese officials in talks which led to last September's semiconductor agreement between the two countries.

The Semiconductor Industry Association, an influential trade group that has represented US chipmakers throughout the current trade dispute, stressed that it has always been and remains strongly opposed to industry-wide floor prices or any quantitative restrictions upon semiconductor trade. Any such arrangement would be harmful to semiconductor buyers, the SIA maintains.

US trade officials consistently rejected Japanese offers to impose price floors and regulate production throughout last year's negotiations. Instead, the US insisted upon "fair market value" *pricing on a company* by company basis which is intended to ensure that efficient producers maintain a market advantage.

In Washington, proposals for any international semiconductor trade agreement are unlikely to be entertained until the current dispute over implementation of the bilateral pact is settled. Last month President Reagan imposed $300m in tariffs on selected goods.

US and Japanese trade officials are scheduled to meet in Washington next week to "exchange data" on Japanese memory chip exports and prices. The Japanese hope that these talks will lead to the lifting of the tariffs, but the US appears to be in no hurry.

Japan's apparent intention to include European and South-East Asian semiconductor producers in proposals for an international trade pact has brought mixed reactions in the US. It is, said industry trade experts, "an issue that has never been raised before."

While such a proposal could raise the "interesting" possibility of discussions on high technology trade at the next GATT round, it seems unlikely that the US would have much to gain from an international semiconductor trade pact, officials said.

The proposals are most likely intended to probe European and US attitudes on the issue of regulating international semiconductor trade, a close observer of the trade dispute suggested.

Initial reactions from the semiconductor industry were not enthusiastic. The US-Japanese trade pact was, they point, out, a response to two specific trade problems: Japanese dumping and the apparent refusal of Japanese companies to purchase foreign chips. Neither problem exists in any other chip-producing country.

The US industry would also be opposed to being included in any price monitoring system. While it is reasonable, they say, to impose price monitoring upon Japanese companies that have a history of dumping, it is not reasonable to impose such burdens upon US or other foreign companies that have not been found to have dumped chips below fair value.

US industry officials also expressed concern that it might take a long time to hammer out an international agreement. They fear that such negotiations could delay progress in implementing the current bilateral pact.

US industry excutives are becoming increasingly optimistic that the existing bilateral pact can be made to work. They acknowledge that dumping by Japanese producers in third country markets has virtually ceased and some report a significant increase in orders from Japan.

Both government and industry executives reject suggestions that Japan might cancel the bilateral trade agreement if proposals for an international agreement were rejected. Any such action would be sure to meet with strong Congressional retaliation against Japan, they *suggest*.

JAPAN IS to present the US with statistics suggesting that imports are winning a growing share of the Japanese computer chips market, AP-DJ reports from Tokyo.

It will introduce the data *at bilateral talks in Washington* next week to determine whether Japan is honouring a semiconductor agreement reached with the US last September. The accord requires Japan to increase the market share of US computer chips and to prevent the dumping of Japanese semiconductors overseas.

The US has imposed punitive 100 per cent tariffs on Japanese electronic goods like personal computers and televisions in retaliation for Japan's alleged failure to abide by the accord.

Japan is hoping the talks will lead to the tariffs being dropped.

The Japanese statistics compiled by the Ministry of International Trade and Industry, show the share of foreign-made chips in the Japanese market growing steadily. The national newspaper, Mainichi Shimbun, said the share was 12 per cent in April and 12.5 per cent in March. In the six months from last April, it was 10.1 per cent.

The newspaper said also the ministry had found Japanese 256-kilo bit computer memory chips were being sold for about $2.5, near the fair market value calculated by the US Commerce Department.

Japanese shipyard orders fall by 58%

By Kevin Brown, Transport Correspondent

JAPANESE shipyards won 58.2 per cent fewer orders in April than in the previous month, according to figures from Japan's Ministry of Transport.

The ministry said the volume of new orders fell from 435,953 gross tons in March to 182,350 gross tons in April. This was a fall of 16.8 per cent since April 1986.

The figures indicate that the 21 Japanese shipbuilding groups are continuing to bear the brunt of the prolonged recession in world merchant shipbuilding, partly because of the continued strength of the yen against the US dollar.

Figures published by Lloyd's Register of Shipping, the independent London-based classification society, show that the world order book fell by 3.5 per cent in the first three months of 1987.

Lloyd's said total orders amounted to 28.59m tons gross, a decline of 771,393 tons during the quarter. This compares with total world orders of more than 31m tons two years ago.

New orders placed during the quarter amounted to 3.4m gross tons, approximately 0.3m tons less than output, Lloyd's said.

Japan suffered a loss of 1.62m gross tons in total orders, to 4.94m tons. Other major losers were Spain—down 107,243 tons to 375,395; France—down 36,830 tons to 284,445 tons; the UK—down 31,449 tons to 262,407 tons; East Germany — down 26,260 tons to 537,067 tons; India—down 21,283 tons to 479,590 tons; and Yugoslavia—down 10,382 tons to 1.21m tons.

The People's Republic of China recorded a loss of 26,780 tons to 685,383 tons, while Taiwan increased its total order book by 18,429 tons to 609,929 tons.

The biggest increase was recorded by South Korea, which improved its order book by 240,203 tons to 4.46m. Other major increases were recorded by Italy—up 397,968 tons to 1.08m tons; West Germany—up 123,305 tons to 623,015 tons; Poland—up 135,256 tons to 977,678 tons; Brazil—up 71,827 tons to 860,065 tons; Finland—up 97,690 tons to 454,953 tons; and Denmark—up 12,091 tons to 612,752 tons.

Hong Kong exporters claim breakthrough

BY PETER MONTAGNON IN HONG KONG

HONG KONG'S exporters believe they have made a significant breakthrough in penetrating the Japanese market for luxury consumer goods with first quarter exports rising to HK$1.8bn, 68 per cent higher than last year.

Although overall trade with Japan remains in substantial deficit, the growth in exports, which follows a 39 per cent increase for 1986 as a whole, is seen as evidence that Japan's import market is not as restricted as western exporters often claim.

The export trend is regarded as a consequence of the steep rise in value of the yen as well as the fruit of promotion of Hong Kong by the territory's Trade Development Council in helping to foster an image of quality for Hong Kong goods

Exporters say that doing business with Japan is still not easy, but it has become more attractive for textile manufacturers as they run up against quota restrictions on sales to the US. Japan has no textiles quotas.

According to Mr Kuang-Piu Chao, chairman of the Novel Enterprises textiles group whose sales to Japan accounted for 9 per cent of turnover or HK$100m last year, Japanese buyers are less concerned with price than quality control over which they are "very demanding."

Novel's success in selling to Japan is the fruit of long efforts, starting in 1958 when Mr Chao sent his eldest son to Japan to learn the language. Now junior sales and technical staff are being taught Japanese because "it is at this level in Japan that decisions are made."

Leading the list of Hong Kong products sold in Japan last year were fur garments, sales of which jumped 50 per cent to HK$1.6bn. Sales of other garments rose 32 per cent to HK$803m, but watches and clocks, where Hong Kong firms face strong competition within Japan itself, also rose by 45 per cent to HK$571m.

Economy aero engine tested on airliner

By Lynton McLain

McDONNELL DOUGLAS, the *US aircraft manufacturer, has* flown for the first time a modified MD-80 airliner powered by a General Electric unducted fan engine.

McDonnell Douglas said the flight was the first test of an unducted fan engine mounted on an aircraft that could use this type of engine in commercial operations.

The engine has two large fans, rotating in opposite directions, to push aircraft through the air at speeds comparable with those of conventionally jet powered airliners, but using about half the fuel.

The unducted fan engine offers potential reductions of up to 25 per cent in fuel consumption compared with the predictions for the most advanced versions of turbofan engines and up to 40 per cent to 50 per cent below existing aircraft.

GE said the engine could enter commercial airline service in 1991. McDonnell Douglas is planning the MD-91X, a UDF-powered derivative of the MD-80 series of aircraft, with between 115 and 130 seats.

Van Hool challenges Thai rebuff

BY PETER UNGPHAKORN IN BANGKOK

VAN HOOL, the Belgian bus manufacturer, is challengingv a Thai cabinet decision to scrap a leasing contract for 300 articulated air-conditioned buses.

Belgium diplomats in Bangkok are handling the affair cautiously, but on Monday, the Belgian minister for foreign trade, Mr Herman de Croo, asked the Thai ambassador in Brussels to explain thesituation.

Two Van Hool executives arrived in Bangkok yesterday to seek clarification about last week's decision.

On Monday a Flemish newspaper carried a report questioning Thailand's seriousness as a trading partner. Such reports are unlikely to be treated sympathetically by ministers in Bangkok.

The Thai cabinet decided on May 12 to go ahead with a seven-year leasing contracts for 1,200 locally assembled buses—300 Hino, 300 Isuzu, 500 Daewoo and 100 Mercedes Benz buses. But it rejected the Van Hool contract saying the DM 236.9m cash price for the 300 *buses was too high.*

All the contracts were signed on August 7 but were immediately suspended and re-negotiated. They are controversial because of the speed and secrecy in which they were concluded

Van Hool has been trying for six years to supply buses to the debt-ridden Bangkok Mass Transit Authority. It argues that the quality of its buses justifies the high cost of the investment.

Thailand remains attractive for private investment projects, but the government's much praised fiscal caution has held up public sector projects.

EC and Efta scrap more trade barriers

TWO NEW STEPS towards the scrapping of trade barriers between the European Community and Efta, the European Free Trade Area, were formally signed in Interlaken, Switzerland, yesterday, our Brussels staff writes.

The first agreement will extend the use of a single import, export and transit document—the so-called single administrative document—from the 12 EC states to include the six members of Efta.

Ministers of the Efta countries — Austria, Finland, Norway, Iceland, Sweden and Switzerland—and Mr Willy De Clercq, EC external relation commissioner, also signed a convention to apply a common procedure for goods in transit between any of their respective members, and within Efta.

Mr De Clercq called for greater efforts to remove barriers to trade in other areas, such as allowing greater access to public purchasing contracts across borders, and the elimination of remaining quantitative export restrictions.

The Efta states have become increasingly concerned that the Community's aim of removing all barriers to internal trade by 1992 will leave them very much second-best in the European free trade area — a concern which has caused industrial lobbies in both Norway and Austria to raise again the possibility of applying for full EC membership.

Canadians try to defuse free trade deal row

By Bernard Simon in Toronto

US AND CANADIAN trade negotiators have set up a special working party on Canada's foreign investment policies in an effort to resolve a major stumbling block in the year-old talks on a US-Canada free trade agreement.

Washington has thrown a spanner into the works by demanding that Canada reduce barriers to foreign investment as part of the free trade package.

Mr Simon Reisman, Canada's chief negotiator, said after a meeting between the two teams outside Ottawa, that this was a matter of extreme importance to them. He said US cabinet members, as well as President Reagan, had raised the invest*ment issue in recent meetings* with their Canadian counterparts.

The US demands come at an awkward time for the Canadians. Foreign investment has re-emerged as a delicate political issue in the wake of several large foreign takeovers of Canadian companies, notably the C$5.2bn bid by Amoco, the US oil group, for the troubled Calgary-based energy producer, Dome Petroleum.

Ironically, the Progressive Conservative government in Ottawa has made the attraction of foreign investment a cornerstone of its economic policies since taking office in September 1984. It has reversed many of the restrictive measures, especially in the energy sector, put in place by the previous Liberal Government.

One view is that Washington has raised the investment issue in the trade talks to counter Canada's key demand for exemption from US protectionist measures, notably its trade remedy law.

Mr Reisman said there were still "some big rocks to move" in the free trade negotiations. Earlier hopes that a draft agreement would be drawn up by late June have faded.

On the other hand, an accord must be approved by Congress before January 1988, when the "fast-track" negotiating mandate given to the Reagan Administration expires.

UK NEWS – THE GENERAL ELECTION

Campaign journalists in rift with Labour

By David Brindle

THE UNEASY relations between Mr Neil Kinnock, the Labour leader, and Fleet Street hit a fresh low yesterday at about the time celebrity status was conferred on Mrs Amy Sherratt.

Mr Kinnock's officials, and the leader himself, make no secret that their patience has been sorely tried by many of the national newspapers and that television gets priority during the campaign.

After two days on the road, there is already simmering discontent among the "writing press" (as the travelling newspaper representatives are known by Mr Kinnock's aides) at the return they are getting for the £3,500, not including food and accommodation, they are each paying for accompanying the leader's caravan.

Mrs Sherratt brought the complaints of both sides into stark focus. Arriving yesterday at an information technology training centre in Bury, Lancashire, the newspaper reporters spotted the 72-year-old widow sitting outside her council house nearby, which displayed a Tory election poster.

Interviewed, she said: "I receive rent and rates rebates and housing subsidy, and with that I am better off than ever I have been in my life — and you can tell Mr Kinnock that if you wish.

"If every pensioner in this country told the truth, they would say the same as me."

The attention given to Mrs Sherratt's forthright views dismayed the Kinnock team. But it was hardly surprising, given that the newspaper journalists were told there would be room for only two of them to join a tour of a training centre — the television crews taking precedence.

The writers say that their grievances are not just special pleading, but that Labour is making a serious tactical error in concentrating on innocuous "film and photo opportunities" like Mr Kinnock's three workplace visits yesterday.

Indeed, the leader appeared at his most effective yesterday in brief unscheduled conversations with bystanders. However, party officials say planned walkabouts would simply become media scrummages.

Mike Arron

Time for a change—Neil Kinnock gets set to leave a Manchester press conference yesterday. With him (from left) are: John Prescott, Bill Jordan and Barbara Castle

Tories would not cut dole queues, Kinnock claims

BY DAVID BRINDLE, TOM LYNCH AND LISA WOOD

THE LABOUR leadership yesterday concentrated its attack on the Government's record on unemployment, with Mr Neil Kinnock, the party leader, claiming that the Conservatives could not and would not reduce the dole queues and Mr Roy Hattersley, his deputy, accusing Mrs Thatcher of deliberately keeping unemployment high.

Mr Kinnock picked up last week's comment by the Prime Minister that she intended to "go on and on" when he said that, if she achieved that ambition, the country would "go on and on paying a bill of £21bn a year for idleness."

During a day campaigning in the north-west of England, he said of the Tories: "Their attitude is a mixture of surrender and sabotage — a complete betrayal of the millions of unemployed, of the millions more who fear unemployment."

The refusal of the Conservatives to set any target for cutting the dole queues was an admission that they could not and would not ease unemployment, he said.

Mr Hattersley accused the Government of deliberately creating unemployment and keeping it high. "The economy they choose to run on behalf of their friends and patrons requires high levels of unemployment just as it required an end to manufacturing industry and this country's increasing dependence on the City of London, with its sleazy undercurrent of illegality and its callous disregard for the rest of the economy."

Repeating Labour's charge that the Government had interferred with unemployment statistics, he said: "There has been a carefully organised conspiracy to hide the facts about both jobs and manufacturing. During the campaign we must cut through the calculated deceit."

Mr Hattersley said Labour's commitment to reducing unemployment in two years was made not just because it was a moral duty, but because the nation could not afford to squander its most precious asset.

Mr Giles Radice, the shadow Education Secretary, said unemployed building workers would be put back to work to tackle the $500m backlog of repairs to school buildings.

Mr John Smith, the shadow Trade and Industry Secretary, said the Government's handling of the Austin Rover Group proved that the Tories "simply cannot be trusted to secure the future of the motor vehicle industry."

He told members of Ucatt, the building workers' union: "They almost succeeded in selling ARG to Ford behind the backs of the employees, the management and the people of the West Midlands. They were stopped in their tracks only by a vigorous campaign in parliament, by their internal confusion during the Westland affair and by an outcry from the West Midlands. After that bitter experience, who can trust them again?"

Labour aims to drop Sizewell B

BY LUCY KELLAWAY

A FUTURE Labour government would cancel Sizewell B power station and phase out nuclear power, replacing it with coal and renewable energy, the party announced yesterday. Other priorities would be to stimulate development in the North Sea and place greater emphasis on energy conservation.

In launching "Energy Policy for Two Parliaments," a 22-page document, Mr Stan Orme, Labour's energy spokesman, said that for the first time in 20 years every aspect of energy in the UK had been drawn together into a comprehensive policy.

He attacked the Conservative Party's "outrageous" proposals to privatise the electricity industry as "a further example of the Tories' short-sighted and wasteful approach to the nation's energy resources."

The document shows some changes from the party's previous position. Mr Orme said that Labour would not negotiate with the Opec oil nations cartel; contradicting previous policy statements.

The line now is that with production from the North Sea set to fall, UK output is not large enough to have an impact on prices. However, Labour intends to contribute to stable prices by discussing a "pricing and depletion policy with North Sea oil companies.

The planned reduction in dependence on nuclear power would be gradual and would have a minimal effect on jobs, Mr Orme said. Within the next two parliaments a Labour government would have decommissioned some but not all of the old-fashioned Magnox stations and have tightened safety standards at the newer advanced gas-cooled reactors, which would take "decades" to phase out.

One David too few drains this Alliance

BY FIONA THOMPSON

THERE were growing indications last night of a serious split in the Alliance.

Signs of a rift became evident when one of the two leaders — without explanation — failed to attend the press conference called to launch the Alliance 10-point blueprint for the future.

Political pundits were thrown into a spin as the reality of one David too few began to sink in. The Alliance would plummet in the polls. It would be black armbands all round.

This Alliance — the Rainbow one — will chase its dreams with or without David, Screaming Lord Sutch of the Monster Raving Loony Party, according to his Alliance co-founder, George Weiss of Captain Rainbow's Universal Party.

More than 100 fringe parties shelter with the Raving Loonies and Captain Rainbow under the Alliance umbrella, including the Rock the Boat Party, The Prince Charles Appreciation Party and the One-One-One Party—the latter fighting on a platform for change of the emergency 999 number.

Chief goal is the abolition of parliament. Everyone would vote on everything from home, electronically.

TUC urges support for Labour

By Philip Bassett

THE TRADES Union Congress yesterday urged people to vote for Labour as the best hope for jobs and for combating poverty.

Although Labour and the unions are widely seen as connected, the endorsement of Labour by the TUC general council is significant given the public distancing of the party from the unions by some Labour leaders in the run-up to the election.

Mr Norman Willis, TUC general secretary, stressing that the unions had "forged an understanding" with Labour on the economy and law, said: "It is the Labour Party that offers fresh hope in place of growing divisions and decline. They deserve the confidence and support of the British people."

Members of the local government union Nalgo, which is not affiliated to Labour, and Mr John Lyons, general secretary of the Engineers' and Managers' Association, who is an individual member of the SDP, abstained from voting.

Three Civil Service unions which are also not affiliated to Labour did not support the TUC's endorsement.

Mr Willis rejected the suggestion that, because 61 per cent of trade union members voted in the 1983 election for parties other than Labour, the TUC's endorsement was out of step with union members' views.

Labour leads in poll of the young

LABOUR has a seven-point lead over the Conservatives in an opinion poll carried out among young people for the Transport and General Workers' Union.

The NOP poll, covering 510 young people between 18 and 24, gives Labour 37 per cent, compared with 30 per cent for the Conservatives and 27 per cent for the Alliance. A fifth of the sample were trade union members.

The poll found that 36 per cent of the young people thought trade unions benefited their members. A total of 74 per cent thought that youngsters were "exploited" by being cheaply employed on the Government's Youth Training Scheme.

Owen support for UDM

By Ivor Owen

DR DAVID OWEN, leader of the Social Democrats, went 2,500 feet underground yesterday in search of votes for the Alliance.

He reaffirmed its commitment to recognise the Union of Democratic Mineworkers during a tour of Thoresby pit in the Nottinghamshire coalfield which he last visited while it maintained virtually full production during the miners' strike.

Dr Owen donned a yellow safety helmet and an orange boilersuit to mix with the predominantly UDM workforce and remind them that Mrs Thatcher was not the only leading politician to make a stand against the extremism of Mr Arthur Scargill, the President of the National Union of Mineworkers.

He insisted that there must be no return to the "old conspiracy" between the National Union of Mineworkers, British Coal and the Government.

Dr Owen maintained that with members of the NUM due to benefit from the pay increase negotiated by the UDM the case for the TUC recognising the new union was overwhelming.

Dr Owen's attempt to demonstrate the Alliance's appeal to those who favour moderation and good sense appeared to be well received by the majority of those to whom be spoke.

A demonstrably discordant note—a raucous rendering of the Red Flag by Labour Party stalwarts—was drowned out by the noise of the cage which carried him down the number one shaft of one of Britain's most highly mechanised and profitable pits.

Thatcher hits back at Owen protest

By Philip Rawstorne

MRS THATCHER yesterday dismissed angry protests from SDP leader Dr David Owen about the Conservatives manifesto's "slur" on the Alliance in describing its defence policy as "one-sided disarmament by default or inadvertence."

The Prime Minister told Dr Owen: "On this crucial defence issue there is little to choose between Labour and the SDP-Liberals."

In a letter to Mrs Thatcher, Dr Owen had demanded a retraction and correction of the statement which implied "that we would take this country . . . down the same disastrous road as the Labour Party towards a frightened and fellow-travelling Britain."

Dr Owen wrote: "It brings dishonour on your office for you to campaign during an election as Prime Minister on such a deeply offensive charge.

"It offends not just the members of the two parties of our Alliance but the millions of people in this country who vote for us and support us.'

Both Dr Owen and Mr David Steel, the Liberal leader, had condemned the "slur" at their morning press conference. Dr Owen attacked the Conservatives for trying to give the impression that only they were patriotic and understood the national interest.

In her reply to Dr Owen, Mrs Thatcher said that though the Liberals and SDP were dogmatic in stating that they would cancel Trident, they were studiously vague about any replacement.

Alliance policies had failed to demonstrate that it was capable of dealing responsibly with the country's security. "They would destroy our future deterrent force. They would allow our present force to become obsolete. You offer no practical or timely alternative.

Tebbit in £500 advert challenge

By Philip Rawstorne

MR NORMAN TEBBIT, Conservative Party chairman, yesterday issued a £500 challenge to Mr Neil Kinnock, the Labour leader, over the laist Labour election advertisement in the press.

The advertisemen quoted Mr Tebbit as having said: "If unemployment is not below 3m in five years then I'm not worth re-electing."

Mr Tebbit, in a letter to the Labour leader, said: "You must be aware that I have repeatedly denied ever using the words which you attributed to me . . . I challenge you to produce a tape recording or verified transcript of the words in the full context in which they are supposed to have occurred."

If the evidence were produced, Mr Tebbit said he would pay £500 to charity. "If you cannot," he told Mr Kinnock, "I would expect you to pay £500 to a charity of my choice or be shown up publicly for indulging in a blatant and deliberate lie."

Search party . . . Michael Heseltine is checked before going into the candidates' meeting

Thatcher claim on caring policies

BY TOM LYNCH, PARLIAMENTARY CORRESPONDENT

THE CONSERVATIVES are the only party which can deliver on caring policies, Mrs Margaret Thatcher told about 300 parliamentary candidates at a rally in London yesterday.

In a rebuttal of opposition charges that her Government does not care about the underprivileged, she insisted that all parties cared about the sick, the old and the poor, but that only the economic success achieved by the Conservatives had allowed extra resources to be targeted on areas of need.

The Prime Minister also insisted that the less well off stood to benefit most from the manifesto commitments on housing and education.

"The choice is not between a caring party and a non-caring one. The real choice is between the opposition parties, which wring their hands because their economic failure has destroyed any hope of better care, and the Conservative Party that cares effectively because it can first deliver economic success."

She said Labour had forgotten that economic strength was needed to build social services, but the voters had not. When Labour was last in power, its economic policies "were such a failure that their good intentions counted for nothing. They tried to spend money like confetti, so they had to print it like confetti so before long it had the same value as confetti."

Among the results of this situation was a real-terms cut in nurses' pay, a cut in the hospital building programme and longer waiting lists. By contrast, economic success under the Conservatives had allowed higher rates of pay for more nurses and doctors to carry out more operations and reduce waiting lists.

Mrs Thatcher said parents of children at inner-city schools stood to benefit most from the Conservative proposals to allow schools to opt out of local authority control in favour of direct Government grants. She urged party members to be ready to help parents prepare such schemes, and she insisted that tenants on run-down estates would be the beneficiaries of manifesto pledges to break up council control of municipal housing.

PM's leadership style attacked by Alliance

BY TOM LYNCH

A STRONG attack on the leadership style of Mrs Margaret Thatcher, the Prime Minister, was launched yesterday by the leaders of the two Alliance parties.

Mr David Steel, the Liberal leader, accused her of hypocrisy in her election promise of "power to the people." Dr David Owen, the SDP leader, condemned her refusal to acknowledge that her political opponents were capable of patriotism.

Mr Steel told a rally in Cheltenham: "Thatcher power is the power to exploit and manipulate; the power to rise by trampling on the hopes and aspirations of those less privileged. Thatcher power does not extend to the individual as citizen or to the community."

He said Mrs Thatcher had sought to concentrate political power in her own hands, allowing the citizen only economic power "to meet your own needs if you are capable and to suffer if you are not. There is no suggestion in her manifesto, as there is no thought in her head [illegible] [illegible]wing people political power."

[illegible] accused the Prime Minister of "terrorising the BBC, banning trade union rights for some workers, curtailing age-old rights to public demonstration and generally creating an atmosphere where it is understood, as she has said herself, that you are either for her or against her.

"Thatcher power is the power of the rich to opt out of the community while poverty and unemployment reach record levels. Thatcher power is the power to buy and capitalise on vital public utilities such as electricity and water."

Trooping of the Tories –1922 style

By John Hunt

THE first miracle of the election campaign occurred yesterday when that mysterious body, the 1922 Committee of backbench Tory MPs, went public for the first time in its history.

Normally the committee meets privately in the House of Commons with political journalists loitering outside in the hope of picking up a sliver of information. Yesterday the press were invited into the library at Centre Hall, Westminster, where Mrs Thatcher was to address her troops.

About 300 candidates were assembled: confident former MPs with big majorities, nervous characters from uncertain marginal constituencies and plain no-hopers trying to put a cheerful face on things.

Bouncy Peter Bruinvels, who is defending a 933 majority in Leicester East, was declaring himself confident of a return to Westminster "even though the laws of averages say no."

Michael Heseltine, the former Defence Secretary who walked out of the Cabinet over the Westland affair, was cheerfully announcing that he intends to visit 99 constituencies during the campaign.

Serried ranks of Tory peers were there, the unelected who do not have to face the rigours of the democratic process and are thus free to roam at will doing their bit to see that their colleagues are elected.

At a word fro mthe ubiquitous Harvey Thomas, Mrs Thatcher's Director of Presentation and Promotion, the ministerial team trooped on to the platform looking rather sheepish as their names were boomed out for the benefit of the rows of television cameras transmitting this great spectacle.

First on the platform was John Biffen, Leader of the House, who was a notable absentee from Mrs Thatcher's press conference the previous day.

As befits a man who is rumoured to be for the chop after the election, he was seated precariously at the edge of the platform. He was soon followed by Peter Walker, the Energy Secretary, who could also become a governmental nonperson.

Despite these ungenerous suspicions, Cranley Onslow, chairman of the 1922 Committee, maintained the traditional trappings of that august body although he admitted that "we don't normally conduct our meetings like this."

The matronly Dame Jill Knight was then solemnly invited to read out the minutes of the previous meeting of the 1922 Committee. At last the curtain was to be lifted on what really happens at these gatherings. We were treated to the shock horror revelation that the meeting began at 6 pm. About 270 members were present. The chairman bade farewell to departing MPs. At 6.05 the Prime Minister attended, was given an enthusiastic ovation and the meeting closed at 6.28.

John Wakenham, the Chief Whip, then warned that members should be prepared to respond to a three-line whip in the Commons on July 1 and 2. How's that for self-confidence at the start of a campaign?

The saturnine Norman Tebbit, party chairman, delivered a few chosen words. As he was talking to a friendly audience he had on this occasion removed his fangs and cast aside his black cloak. There was, however, a caution that the position could not be regarded as satisfactory until the votes were counted and the party back with a clear working majority.

After 15 minutes came the culminating event of these carefully planned rituals—the regal entrance of Mrs Thatcher. The candidates gazed up at her rapturously and welcomed the leader with a rhythmic handclap.

Although the style was less rampant than at her public meetings it was still very much the brisk headmistress lecturing the school at the start of the new term. Everyone would be expected to fulfil their "awesome" responsibilities.

The opinion polls were seen as the equivalent of the school tuck shop. Candidates should not be diverted from their stern task by the goodies on display in the window and should concentrate on putting across the "positive, realistic, imaginative Conservative message."

The pupils loved it

Sunday campaign

THE KEEP Sunday Special Campaign — a coalition of anti-Sunday trading groups — yesterday announced proposals to seek to solve the issue of which goods should be permitted to be sold on Sundays.

Michael Cassell reports on the election battle in Mansfield

Trying to bury mining differences

MR ALAN MEALE, the left-wing Labour candidate for the Nottinghamshire coalfield constituency of Mansfield, says his campaign will be based on national policies and not on local personalities.

The evidence suggests he has as much chance of getting his way as Mr Arthur Scargill has of being invited to dinner at 10 Downing Street.

Mr Meale was parliamentary and political adviser to Mr Michael Meacher, shadow health secretary, in the last parliament. He has a tough fight on his hands in a community still deeply split in the aftermath of the miners' strike that led to the creation by Nottinghamshire miners of the breakaway Union of Democratic Mineworkers.

About 80 per cent of Nottinghamshire miners belong to the UDM, based in Mansfield. It refuses to endorse Labour because of the party's support during the dispute for the National Union of Miners. The UDM also sees the selection of Mr Meale as a calculated slap in the face for the local mining community. The new union remains unrecognised by the Labour party and by the TUC.

Mr Meale's mining critics allege that he openly supported the NUM on the picket lines and has, therefore, forfeited any chance of support from its members. Although it originally planned to put up its own candidate, the UDM claims it has been unable to overcome legal problems in time. Instead it says its members should back any candidate who backs the union. That excludes Mr Meale.

Not surprisingly, his Tory and Alliance opponents, in a constituency that Labour holds by only 2,216 votes, intend to make much political capital out of Mr Meale's association with the NUM and of Labour's stand during the miners' confrontation.

Mr Meale will be denied support from Mr Don Concannon, the retiring moderate MP, who has criticised the man chosen by Labour to succeed him. Earlier this week, as Mr Roy Hattersley, the party's deputy leader, arrived in town to pledge his "absolute faith" in Mr Meale and to claim it was in the best interests of all miners to vote Labour, Mr Concannon was publicly denying the Labour candidate his support.

1983 election result Mansfield: J. D. Concannon (Lab) 18,670; R. Wren (C) 16,454; S. Taylor (SDP) 11,636. Lab majority 2,216. Turnout 78.7 per cent.

To make matters even more uncertain, the newly founded Moderate Labour Party, which hopes to attract disenchanted Labour supporters, has put up a candidate of its own. The MLP did badly in the May local elections, its 26 candidates failing to win a seat, but its presence could still make Mr Meale's task more difficult.

Despite doubts about Mr Meale's prospects being aired at the bar of the New Borough Labour Club, the candidate proclaims total confidence. Having just heard Mr Brian Clough, the manager of Nottingham Forest Football Club and the man who tipped Coventry for the FA Cup, predict a Lbour victory in Mansfield, Mr Meale himself predicted a Labour majority of at least 3,500.

Flower power: Labour candidate Alan Meale canvassing in Mansfield market

He rejects the idea that his selection has prolonged division and bitterness in the area and says, since he was picked, that he has sought to rebuild bridges. He stresses that 16 members of his general management committee are UDM members and claims that "the only people fanning the flames are Labour's enemies." He insists his support for the miners was restricted to raising cash for the families of strikers—"and I am damned if I am going to apologise to anyone for that."

Mr Meale says he will fight on the theme of local unity and on the issues that hit the community, like unemployment—5,500 are without jobs—housing and health. He will also echo the warnings of other, local Labour candidates who claim that the return of a Tory government will present the mining industry with "the devil's alternative"—the closure of the privatisation of the coalfields.

The Tory candidate is Mr Charles Hendry, a London public relations consultant, who at first sight is not the sort of candidate who might be expected to appeal readily to local voters. Despite his membership of the local miners' welfare club, his exuberant, smart-suited City image remains arguably out of step with many of the down-to-earth electors he has to win over.

However, in the 18 months since he was chosen to contest the seat, he has worked hard to make his mark and believes the tide is in his favour. Mr Hendry, who is 28, claims the 2.5 per cent swing from Labour to Tory in the May poll would, if repeated on June 11, be enough to end Labour's reign in Mansfield.

He adds: "This is an area where the political map has been changing in our favour. In 1966, when Don Concannon was first elected, we had one seat in the area and now we have eight. Labour has three and will have at least one less after the election."

Mr Hendry acknowledges that the Alliance raised its share of the vote in May but believes it is no longer seen as being close enough to challenge the other two parties and that voters will realise the Tories alone can see off Mr Meale.

Mr Barry Answer, a local newsagent who is standing for the Alliance, says the MLP's failure to make an impact will, this time, work in his favour. "We will make it clear that a vote for the MLP is a vote for the Tories and that the Alliance is the right home for people seeking the sort of moderation in politics to which Mansfield has been used."

Shortly after Mr Hattersley and the media circus had left town earlier this week, one Labour stalwart was heard to say at the bar of the Labour Club: "It will be tough but with any luck it will not be dirty."

It transpired that he was referring to Mansfield Town's appearance at Wembley this Sunday in the Freight Rover Trophy final, but no one would have guessed.

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UK NEWS

Thatcher makes populist appeal as lead declines

BY PETER RIDDELL, POLITICAL EDITOR

MRS THATCHER yesterday made a populist appeal to free council tenants and parents from "municipal socialism" and to spread capital ownership the centrepiece of the Conservative campaign.

Her remarks came as she faced a strong attack from Labour and the Social Democratic Party Liberal Alliance over the economy and her style of campaigning and as new opinion polls pointed to a declining Tory lead.

Mrs Thatcher was giving a pep-talk to Conservative candidates in the first meeting of the Tory MP's backbench 1922 committee open to the press and television. The minutes of the previous meeting were read, and accepted.

Those candidates lucky enough to be elected were promised a quiet few days after the Queen's Speech and then cabinet ministers came one by one onto the platform, to be applauded like quiz show contestants. Some waved, others, like Mr John Biffen, the leader of the House of Commons, looked embarrassed.

Mrs Thatcher then developed several of her major campaign themes. In particular, she argued that the phrase "power to the people is more than just a slogan and means people taking important decisions themselves in education and housing."

Wider ownership meant that "the privilege of the few would become the daily experience of the lives of the many."

Reflecting the concern of Tory strategists about the party's image on social issues she said it was "false and wicked" to suggest that people did not care for the sick and ill. She stressed the Government's record on the health service, in building hospitals and reducing waiting lists.

A rolling Harris Research survey for TV-am, of which a quarter is updated each day, puts Labour on 34 per cent, up three percentage points since the weekend, with the Tories on 41 per cent and the Alliance on 24 per cent.

Conservative strategists appear relaxed about recent polls. Mr Norman Tebbit, the Conservative Party chairman, told party candidates yesterday that "we have a good lead, and a steady position. It looks as though in the battle to lead the opposition the Labour Party has slightly strengthened recently taking support from the Alliance which is firmly in third place and slipping."

Latest Opinion Polls	Cons	Lab	All
Average of last five polls	42	32	24
Rolling Harris survey for TV-am	41	35	23

Alliance strategists are also relaxed, pointing out that its rating also slipped in the first week of the 1983 campaign, but is still six points higher than then.

Labour leaders are also pleased that their campaign has got off to a strong start, both nationally and in key target seats. They are particularly pleased with the impact on television of the first two impassioned speeches of Mr Neil Kinnock, the Labour leader.

Both Mr Kinnock and Dr David Owen, the SDP leader, attacked the Conservative election broadcast on Tuesday night which featured the Union Jack and films of both world wars.

The Labour leader commented that "when you see Mrs Thatcher's kind of Tories wrapping themselves in the flag, it does make you very suspicious when they have done so much damage to people who live under it."

Similarly, Dr Owen said that Tory claims to have "a monopoly of patriotism" stuck in "a hell of a lot of peoples' gullets." He and Mrs Thatcher also engaged in a vigorous exchange over Alliance defence policy and its similarity, or lack of it, with Labour's approach.

Mr David Steel, the Liberal leader, last night launched a strong attack on the Government for a lack of feeling and accused Mrs Thatcher of hypocrisy for using the slogan "power to the people."

He said there was no suggestion of allowing people political power or any recognition by her of the "passionate belief in balance of power" which was intrinsic to Liberal and Social Democratic values.

Teachers to intensify pre-poll strikes

By Jimmy Burns

LEADERS OF the two main teaching unions in England and Wales yesterday agreed to intensify their selective strike action in the last week of the general election campaign, but said there would be an indefinite truce starting on the day before polling day.

The strike action is in protest at a pay award imposed by the Government and the withdrawal of the teachers' negotiating machinery.

The two-stage strategy, aimed at bringing education to the forefront of the election campaign while leaving the door open for a settlement with the future government, was adopted unanimously by officers of the National Union of Teachers (NUT) and the National Association of Schoolmasters/Union of Women Teachers at a joint meeting in London.

The intensified action will begin on June 1 and will almost double the number of educational authority areas hit by half-day strikes this month. The two unions, which represent almost two-thirds of the 400,000-strong teaching force, expect to involve 50,000 staff.

Yesterday's move, which coincided with the renewed threat of a civil servants strike on June 8 and 9, drew an angry response from Mr Kenneth Baker, the Education Secretary, but was interpreted as a mixed blessing by the opposition.

"For the unions to bring children into this election campaign by disrupting their education is unforgivable," Mr Baker said. Many teachers resented "this attempt by union leaders to drag them into political confrontation with the government."

Mr Giles Radice, Labour's education spokesman, who has urged teachers to call off their action during the campaign, described the intensification as "regrettable." He said the dispute would be resolved overnight by a government prepared to restore teachers' rights to negotiate wages and conditions.

Building societies for freer access to financial markets

BY HUGO DIXON

THE BUILDING society movement is to ask the Government for more flexibility in tapping wholesale financial markets. It has given a warning that failure to grant this request will lead to the reappearance of mortgage queues.

First-time buyers and others at the bottom of the housing ladder would be particularly badly hurt, if home loans were rationed.

Senior figures in the industry are also convinced that last year's Building Societies Act, which aimed to put societies on a par with other financial institutions, did not go far enough. They believe that financial markets are moving so quickly that another Act will be needed within five years.

These and other concerns were revealed at the Building Societies Association's annual conference in Harrogate yesterday, which also implemented wide-ranging changes in the constitution of the association to give more power to the larger societies.

Under last year's Act, no more than 20 per cent of a society's funds can be from wholesale markets – although the Government can increase this limit to 40 per cent by secondary legislation. Heightened competition in the retail savings market, in particular from unit trusts and the Government's privatisation issues, has made it difficult for societies to satisfy mortgage demand without borrowing heavily from wholesale markets and, as a result, some are nearing the 20 per cent limit.

Speaking at the conference, Mr Roy Cox, the association's chairman, said the limit was an increasing restriction. If it was not raised, societies would either have to curb their lending, sell their mortgages to other institutions or escape the restriction by becoming banks.

"What we don't want to see and what I am sure the Government doesn't want to see is a return to mortgage queues," he said. Those at the bottom of the housing ladder would be most affected, he argued, as building societies' competitors in the mortgage market were only interested in "creaming off" the best business.

The association is expected to ask the Government to increase the funding limit to 25 per cent in the early autumn. Some societies, however, argue that this new limit would soon be exceeded so they should push for the full 40 per cent.

Mr Cox also said that financial markets were changing so rapidly that a new Act would be needed within five years and that the Government had virtually accepted the idea. This view was backed up by both Mr John Spalding and Mr Peter Birch, respectively chief executives of the Halifax and Abbey National.

Restrictions which some of the larger societies would like to see overturned include the inability to own an insurance company or a stockbroker, and to divert more than 5 per cent of their assets to unsecured lending. They also want large societies to be regulated less tightly than smaller ones.

Changes to the association's structure, which had been expected to be controversial, were approved by its annual general meeting without objections. These redistribute power away from the small societies, abolish three of the association's six regions and change it from being a policy making body into a lobbying organisation, while at the same time giving more independence to its permanent staff.

Some of the smaller societies had been expected to fight against their loss of status. On the other hand, the Abbey had threatened to leave the association if the changes were not passed.

Societies' performance in the retail savings market improved last month, partly as a result of the poor showing by National Savings, according to figures also released yesterday by the association. However, societies' receipts for May are expected to be badly hit by the privatisation of Rolls-Royce, which resulted in a heavy switch of investor funds.

Money supply reflects buoyant borrowing

BY JANET BUSH

THE LATEST set of British money supply figures for April show worrying signs of buoyancy in personal sector borrowing and consumption, reflecting healthy demand for credit for house purchase and the rebound in retail sales volumes in the month.

Personal sector demand is likely to be boosted further by the tax cuts announced in the budget, coupled with the two-point fall in borrowing costs since March and recent cuts in mortgage rates.

The Bank of England is concerned about the inflationary implications of surging asset prices, particularly in the housing sector, and strong consumer spending, backed by demand for and availability of credit.

Growth in the narrow aggregate of money supply, M0, consisting mostly of notes and coins in circulation, rose by about ½ point last month, according to yesterday's provisional figures released by the Bank of England.

This took its year-on-year growth rate to 5¾ per cent, a sharp jump from the 3.5 per cent annual rate in March. After the authorities finally decided to drop its target range for broad money, sterling M3, now renamed simply M3, M0 is the only aggregate formally targeted by the Government.

Bank officials noted that the annual growth rate is still below 5 per cent on a seasonally adjusted basis. Nevertheless, the acceleration of the growth rate into the upper half of its 2 per cent to 6 per cent target range, partly due to the rebound in retail sales in April, offers a less favourable environment for further base rate cuts.

April's figures showed bank lending rise by £1.5bn compared with the £2.08bn rise seen in March. The very high level of bank lending in recent months has been one of the key factors boosting broad money growth and has been a focus for concerns about the inflationary consequences of the current credit boom.

Although April's growth was substantially lower than the average over the last six months, lending was dominated by the personal sector and could feed directly into consumption, raising fears of higher inflation.

The broad money measure M3, formerly sterling M3, rose by between 1¾ per cent and 2 per cent in April, taking its year-on-year growth rate to around 20½ per cent.

Despite the small rise in bank lending and a relatively low Public Sector Borrowing Requirement in April, broad money was boosted by the Bank of England's intervention to cap sterling's rise on foreign exchanges which has injected substantial extra liquidity into the banking system.

The Bank can sterilise intervention by selling more government debt, but this did not happen in April. The Bank has warned recently that intervention will be neutralised in this way over the course of the year but not on a month-by-month basis, meaning that there are likely to be temporary bulges in M3 money supply.

Yesterday's figures show there were net redemptions of £300m in April and the external counterpart to M3, including the build-up of foreign currency reserves, was expansionary by £1.1bn.

Economic output up by 3.6%

By Philip Stephens

BRITAIN'S economic output rose by 0.4 per cent in the first three months of this year to put it 3.6 per cent above a year earlier, according to official figures released yesterday.

The rise in the latest three months reflected a steep increase in energy output – mainly North Sea oil production – which offset a flat performance by the manufacturing sector and a sharp fall in construction activity. The output of service industries is thought to have risen slightly.

The figures, released by the Central Statistical Office, suggest some slowing in the pace of economic growth after the rapid acceleration in the middle of last year. Manufacturing output, in particular, has disappointed more optimistic expectations.

Part of the explanation, however, may have been the severe weather in January, which is thought to have depressed both manufacturing and construction activity.

Most City of London economists expect the economy to expand by 3 per cent or slightly more in 1987, in line with the Treasury's forecast in the March budget, with the main risk to growth coming from a deteriorating international environment.

Sterling's recent rise on the foreign exchange markets, however, has prompted forecasters to revise down their expectations for 1988, with many now predicting a growth rate in that year of only 2 per cent.

The CSO said that based on preliminary data its index of the output measure of gross domestic product stood at 115.7 (1980=100) in the first quarter compared to 115.2 in the last three months of 1986.

Manulife moves into new sector

By Eric Short

MANUFACTURERS LIFE has become the first major life assurance company operating in the UK to expand its financial services operations by becoming a leading player in the banking and deposit field.

The Canadian-based Manufacturers Life Insurance Group has acquired for its operations the Plymouth-based Western Trust & Savings from the Royal Bank of Canada.

The amount of the consideration is not disclosed, but it is believed to be about £18m – the net assets of Western Trust as at September 30, 1986. The Royal Bank of Canada said last year that it was selling Western Trust and concentrating on investment and corporate banking in the UK.

Life companies in the UK have been expanding their operations in recent years beyond their traditional life and pensions sectors into other areas of financial services, particularly unit trusts.

But one major gap in their services has been a lack of deposit-taking facilities. The Prudential Corporation, Britain's largest life group, has indicated that it will ultimately acquire a deposit taker to complete its range of savings products and services.

However, Mr Joe Mounsey, Manulife's vice-president and general manager for the UK, said that securing a major deposit-taking facility was only one of a number of advantages brought by the acquisition.

Western Trust's main area of expansion in recent years has been in the mortgage lending field. Its present lending is running at £6m a week, and its total mortgage book now exceeds £400m.

However, Mr Joe Mounsey, Manulife's vice president and general manager for the UK, said that securing a major deposit-taking facility was only one of a number of advantages brought by the acquisition.

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Life companies, such as Manulife, which sell through their own field force, get very little mortgage-related business from building societies. They have to provide their own mortgage lending facilities in order to participate in the lucrative low cost endowment market.

The acquisition of Western Trust gives Manulife that facility.

In addition, ManuLife will now be able to offer a range of loan services to its existing client base.

Courier moved £5.2m Guinness payment

BY CLIVE WOLMAN

THE £5.2m payment made by Guinness to its former director Mr Thomas Ward was transferred in tranches by a specially appointed courier between several Swiss and Austrian banks during November and December, it has emerged.

One of the transactions, the payment of approximately £2m of the original sum into a Swiss bank account belonging to Mr Ernest Saunders, the deposed chief executive of Guinness, appears not to have been planned as a covert way of allowing Mr Saunders to benefit from part of the payment, as one Guinness director suggested in a court case in April.

Rather Mr Ward asked for the use of Mr Saunders' account with Union Bank of Switzerland because of his apparent concern to shield the payment from the attentions of the US tax authorities, in particular the Internal Revenue Service.

Mr David Aufhauser, Mr Ward's personal lawyer, conceded yesterday that, in arranging the convoluted series of payments, Mr Ward had been concerned about "the appropriate timing of his tax payments."

Guinness has alleged that the £5.2m payment made to a Jersey company owned by Mr Ward last May, ostensibly for his services during Guinness's £2.5bn takeover battle for Distillers, was a breach of his fiduciary duty. In July £2m of the money was transferred to Mr Saunders' account and then withdrawn in four different currencies on November 14 and December 1.

Over the next two months the £2m, together with most of the £3.2m remaining from the original payment, was transferred several times between different banks and bank accounts in Switzerland and Vienna.

Nearly all these transfers were made not by the conventional electronic means but through a specially appointed courier who physically took cheques from one bank to another.

By that stage about $1.1m (£650,000) of the £5.2m had been spent by Mr Ward to repay a bank loan to participate in a commercial real estate development; to make a $100,000 loan to Mr Ken Lazarus, a partner of Mr Ward in his Washington DC law firm; to pay transaction and legal fees and possibly to buy a boat.

Eventually, shortly before Mr Ward's Jersey company was compelled in March to disclose as a result of a court action what it had done with the payment, Mr Ward abandoned his plan to let the sum accumulate free of tax in Europe, possibly until his retirement. The money was transferred from Austria to a bank account in New York and $4.7m was used to pay a US federal and state tax bill.

In a court hearing in London on Tuesday, the Vice-Chancellor, Sir Nicholas Browne-Wilkinson, said he had made no final judgment about the validity of the £5.2m payment to Mr Ward in fact or in law.

Power sale could create 'largest private monopoly'

BY MAX WILKINSON, RESOURCES EDITOR

PRIVATISING the electricity industry could raise as much as £18bn says a study published yesterday, but it gives a warning that a future Conservative government would need to split the industry up into competing companies.

The study, by Mr Andrew Holmes, Editor of the Financial Times newsletter "Power Europe", with Mr John Cheshire and Mr Steve Thomas of the Science Policy Research Unit, Sussex University, says that competition could be killed off if the industry were privatised as a whole.

The result, they say, would be a private monopoly larger than any other in the world, controlling both the production and distribution of a vital source of energy.

Unlike gas, electricity was used in many applications such as computers and street lighting, where there was no competition from other fuels.

More buy-out companies go public

BY CHARLES BATCHELOR

A GROWING number of the companies which have been bought out by their managements in recent years have moved on to the stock market to finance the next stage of growth.

A total of 102 companies have moved to a full listing, the Unlisted Securities Market (USM) or the over-the-counter (OTC) market, according to a survey published yesterday by Nottingham University's Centre for Management Buy-Out Research.

The buy-out was now a firmly established part of the corporate finance scene because of the resurgence of an enterprise culture, the restructuring of industry in the wake of the recession and the greater availability of funding, the report's author said.

The 102 companies covered by the report (a further eight have since come to market) have combined market capitalisation of more than £2.4bn. This compares with a valuation of £620m put on them at the time of buy-out and a value of £1.5bn when they first obtained a market listing.

The USM was the most popular market for buy-out companies accounting for 60 per cent of those which went public. It was followed by the Stock Exchange proper with 30 per cent and the OTC with 10 per cent.

Buy-outs have come to account for a significant share of companies going to market. They accounted for 3.3 per cent of all USM new issues in 1981 but by 1985/86 had risen to 22 per cent. They have accounted for 15 per cent of all full listings over the past four years.

The speed with which a company moves from the buy-out stage to a listing is increasing. More than half of flotations occurred within three years of the buy-out.

STOCK EXCHANGE LISTINGS OF MANAGEMENT BUY-OUTS

	OTC	USM	Full	Total
1980	–	1	–	1
1981	1	2	2	5
1982	1	4	1	6
1983	1	7	2	10
1984	2	6	6	14
1985	–	21	6	27
1986	1	22	13	36
1987 (to end of February)	–	2	1	3
Total	6	65	31	102

This partly reflects the fact that most buy-outs are well-established businesses, usually operating in mature markets with relatively low investment requirements, the report said. The average age of companies covered by the survey was just under 30 years – ranging from two to 184 years.

The study looks at the performance of buy-outs in the two years before and the two years after flotation and concludes in terms of share price and price/earnings ratios they do particularly well.

Buy-outs which went for a full listing in 1984 increased their market capitalisation by 112.6 per cent by February 1987 compared with a 95.5 per cent rise in the FT 500 Index. USM-quoted buyouts also outperformed the Datastream USM Index, the study showed.

'Flotations of Management Buy-Outs. Mike Wright, Ken Robbie and John Coyne. Published by Spicer and Pegler Associates in association with The Centre for Management Buy-Out Research, University of Nottingham. Price £85.

New town buy-outs, Page 8

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1985							
4th qtr.	108.4	103.6	106	117.9	178.8	3,122	168.2
1986							
1st qtr.	109.1	102.6	105	119.3	146.0	3,171	166.5
2nd qtr.	109.2	103.5	104	121.3	154.0	3,203	175.6
3rd qtr.	110.8	104.8	106	123.7	158.7	3,282	200.2
4th qtr.	110.7	107.1	114	126.5	194.3	3,141	213.0
October	110.9	106.6	109	125.0	166.5	3,160	212.8
November	111.0	107.2	111	127.8	183.9	3,145	215.2
December	110.2	107.4	121	126.7	224.9	3,119	210.0
1987							
1st qtr.	112.2	106.9		125.4	157.0	3,073	210.4
January	110.9	105.3	110	123.6	158.4	3,114	210.3
February	112.6	107.6		127.0	154.5	3,066	207.1
March	113.1	107.9		125.5	157.8	3,040	210.6
April				130.3		3,020	213.9

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
4th qtr.	103.8	102.7	113.4	103.2	112.6	103.3	15.6
1986							
1st qtr.	103.0	101.6	115.4	101.5	110.3	102.8	14.2
2nd qtr.	104.5	100.5	115.4	102.0	110.1	103.5	19.8
3rd qtr.	106.2	101.3	117.4	103.2	107.8	102.3	18.9
4th qtr.	107.8	102.7	115.8	105.2	115.8	104.0	15.3
September	106.4	102.1	116.8	104.0	108.0	102.0	19.4
October	106.8	102.7	116.6	105.0	113.0	104.0	19.3
November	109.0	102.4	116.1	105.0	117.0	106.0	15.8
December	107.6	102.9	114.8	106.0	118.0	102.0	18.8
1987							
1st qtr.	106.8	103.2	118.8	104.9	117.3	104.3	16.8
January	105.8	102.5	117.1	104.0	108.0	104.0	12.4
February	107.1	103.1	119.6	105.0	125.0	104.0	18.5
March	107.5	104.1	119.8	106.0	120.0	105.0	19.5

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1986							
1st qtr.	117.5	124.9	−1,227	+682	+1,899	101.0	18.75
2nd qtr.	121.9	128.8	−1,551	− 94	+772	102.6	19.20
3rd qtr.	122.6	138.5	−2,873	−931	+646	103.1	20.14
4th qtr.	130.5	143.4	−2,602	−756	+846	100.5	21.97
September	126.2	139.3	−831	−184	+258	102.3	22.43
October	127.0	139.6	−715	−100	+226	101.5	21.99
November	132.8	146.7	−1,000	−384	+354	100.9	22.01
December	131.6	143.9	−887	−272	+266	100.1	21.92
1987							
1st qtr.	129.7	132.8	−1,175	+625	+1,152	100.5	22.75
January	125.0	130.9	−527	+ 73	+371	100.2	21.95
February	137.8	137.5	−224	+376	+326	100.4	22.26
March	126.3	129.8	−425	+175	+455	100.8	27.04
April							29.81

FINANCIAL—Money supply M0, M1 and sterling M3 (three months' growth at annual rate), bank sterling lending to private sector; building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	HP lending† £m	Base rate %
1985							
4th qtr.	2.9	17.0	12.9	+5,378	2,209	3,436	11.50
1986							
1st qtr.	4.1	21.4	19.3	+6,203	2,220	7,375	11.50
2nd qtr.	3.1	25.9	27.3	+6,455	1,433	7,739	10.00
3rd qtr.	5.9	30.3	15.4	+6,986	168	8,223	10.00
4th qtr.	7.6	15.2	14.1	+10,531	2,814	8,178	11.00
September	6.6	34.3	17.8	+896	−671	2,870	10.00
October	6.3	19.1	14.5	+2,488	1,951	2,759	11.00
November	6.4	28.4	19.0	+3,847	160	2,635	11.00
December	10.1	6.6	9.1	+3,196	703	2,784	11.00
1987							
1st qtr.	1.2	20.7	19.6	6,610	1,475	8,881	10.00
January	7.7	18.1	12.9	+1,667	456	2,695	11.00
February	0.1	11.1	17.3	+2,862	472	2,948	11.00
March	10.1	12.4	28.9	+2,081	547	3,238	10.00
April					727		9.50

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	132.4	143.4	96.5	96.9	1,813	75.1
2nd qtr.	184.0	125.8	145.7	97.8	98.7	1,453	76.1
3rd qtr.	187.4	120.8	146.3	97.9	98.3	1,544	71.9
4th qtr.	191.0	127.4	147.4	99.1	98.3	1,637	68.2
September	186.8	122.4	146.7	98.3	98.3	1,544	70.4
October	188.3	124.3	147.0	98.5	98.1	1,600	67.8
November	191.2	127.5	147.4	99.3	98.1	1,617	68.5
December	193.4	130.4	147.9	99.6	98.8	1,637	68.4
1987							
1st qtr	192.1	130.0	149.3	100.3	100.5	1,577	69.9
January	190.4	131.9	148.8	100.0	100.0	1,604	68.8
February	191.2	129.6	149.3	100.4	100.7	1,586	69.0
March	194.6	128.4	149.7	100.6	100.7	1,541	71.9
April		128.7	150.5	101.8	101.6	1,583	72.4

* Not seasonally adjusted.

† From January 1986 includes amounts outstanding on credit cards.

UK NEWS

IBM extends international access to data services

BY DAVID THOMAS

IBM, the world's largest computer company, is extending its value-added data services by allowing UK customers greater international access to these services.

Value-added services involve the transmission of data and other information over the telecommunications networks.

The Government recently removed these services, demand for which has been growing, from almost all regulatory restrictions.

IBM launched its value-added network in the UK at the start of last year, but so far its UK customers have had only limited access to IBM's value-added networks internationally, which cover the US, Japan, 13 European countries and Israel.

It is now extending that international access, so its value-added customers will be able to exchange information, send mail electronically and transfer files more easily internationally.

In particular, it is extending the international coverage of its trade data interchange service, which allows the transmission of business documents relating to transactions such as buying and selling.

IBM believes this will allow it to move more strongly into the retail value-added market in the UK, where ICL, the largest UK-owned computer company, is at present strong.

IBM's main value-added markets in the UK are in the finance and insurance sectors, although it is involved in a pilot study in the freight and shipping industry.

To provide for this greater international emphasis, IBM is upgrading its Warwick computer centre in the west Midlands into its second European control centre for value-added networks, the first being in the Netherlands.

This will create an extra 100 jobs over two years. The Warwick centre employs about 200 people now.

IBM also announced it was taking steps to ensure that its private value-added network can interconnect with the public data network. This is a move by IBM towards open standards, which the recent liberalisation of value-added services was intended to promote.

'Tide turns' for British industry

BY HAZEL DUFFY

GREATER optimism being voiced by British industry was the "turn of the tide", according to Mr David Nickson, president of the Confederation of British Industry.

Mr Nickson said yesterday that, everything the confederation had worked for over the past 10 years was beginning to come together. Industry was starting to succeed in a better environment than it had known for a long time.

The CBI would not openly endorse the Conservative Party in the election campaign. Mr Nickson said: "Any government which is formed after the election will have to understand the central importance of business if it is to meet the expectations of the British people in terms of jobs and living standards into the 1990s."

The president will be visiting business leaders in Japan shortly to continue a campaign designed to impress upon Japan the importance that it make concessions to enable greater access to its markets.

Sectors identified at the monthly CBI council meeting yesterday as ripe for greater liberalisation included cars, Scotch whisky and leather goods. A footwear manufacturer said current quotas permitted only one pair of imported shoes per head of population every 60 years.

"We are not going to have a slanging match with the Japanese", said Mr Nickson." But it is only by the constant reiteration of the arguments that the message will get home."

● CBI income in 1986 totalled £11.1m (1985 £10.3m) and expenditure £10.99m (£10.4m) leaving a surplus of nearly £25,000 against a deficit of £84,215 in 1985.

Renault system links dealers directly to French factories

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

RENAULT'S car and van subsidiary in the UK is being used to test a new distribution system which links dealers directly with the factories and is designed to cut vehicle stocks by half within the state-owned French group's export operations.

The new system should make Renault UK, which has already recovered from losses of nearly £3m in 1984, into a highly profitable organisation, said Mr Loic Caperan, managing director of the British company.

Taxable profit for last year jumped from £1.8m in 1985 to about £4.8m or about 1 per cent of turnover, helped by a careful reorganisation of Renault UK's debt to cut interest payments.

The new distribution arrangements would speed the recovery and enable Renault UK to spend more on promotion, marketing and sales while remaining reasonably profitable, Mr Caperan said.

The new distribution system enables Renault's 305 dealers in Britain to use IBM desk-top computers to order vehicles directly from the group's factories in France instead of through the UK import company.

The system cuts vehicle stocks from four months supply to two months and one week, thus giving big savings in financing charges.

At the same time dealers are able more accurately to reflect customer preferences by ordering only five weeks in advance of production. Dealers can also make changes to the specification of the car which has been ordered up to two weeks before the car is assembled.

The UK is the first of Renault's export markets to employ the new system, which later this year will also be introduced in West Germany and Belgium. Next year Spain will be added to the list.

In the case of the UK, Renault has also reorganised its physical distribution system so that vehicles are shipped only through one European port, Le Havre, to Southampton, on the south coast of England, and Goole, in the north-east.

There can be two shipments each week to both UK ports and the time between a car being made and arriving at the British dealer's outlet has been cut to two weeks.

New town managers propose buy-outs

BY HAZEL DUFFY

PROPOSALS FOR the first management buy-out of new town assets have been drawn up by the managers of Newton Aycliffe and Peterlee, the new towns in county Durham, north east England.

They plan to put in a bid for all the outstanding assets of the towns when they go on sale shortly.

The management team has already found financial institutions sufficiently interested in industrial property in the north east of England to give the bid their backing.

Mr Ed Henderson, chief executive of Aycliffe and Peterlee Development Corporation which runs both new towns, expects to complete the financial package shortly. It will be made up of equity and loans, highly geared. Advisers to the five strong management team are Richard Ellis, the firm of surveyors, and Touche Ross, the accountants.

Industrial assets totalling 3.7m sq ft will be going on offer. Rents are low at about £1.50 a square foot, on five-year rent reviews. In all, the towns have around 9m sq ft of factory space, the majority of which has been sold after the Government's decision to wind-up all the new town development corporations and sell their assets to the private sector. Housing in the two towns has already been transferred to the local authorities and the town centres sold.

Approval for this particular sale was given nearly two weeks ago by Mr John Patten, Minister for Housing, Urban Affairs and Construction. His announcement signalled the end of the battle by the three north eastern new towns – Newton Aycliffe, Peterlee and Washington – to extend the life of the new town corporations until 1990.

The bids will be assessed by the board of the corporation, almost certainly in consultation with the Department of the Environment. Concern has been expressed recently by the National Audit Office and the Public Accounts Committee that new town assets have sometimes been sold off too quickly and too cheaply.

Fears in the North East have centred on the job-creating activities of the corporations being run down under new owners. The management teams, by contrast, would pledge to carry on this role.

Some years ago there was an attempt by the management of Redditch, in the West Midlands, to buy all the assets of the town, but this was not advanced as it was thought that the result would be too much of a "company town."

British Telecom sells hundreds of properties

BY DAVID THOMAS

BRITISH TELECOM is selling hundreds of properties which it no longer needs because of its exchange modernisation programme.

During the past year, BT has speeded up the introduction of digital telephone exchanges, which it is now bringing into service at the rate of one per working day on average. Digital exchanges are much smaller than the older generation of analogue exchanges.

BT has therefore been able to concentrate the siting of its modern exchanges, releasing a large number of surplus buildings.

BT is also now able to sell other properties situated next to its exchange buildings, which it bought in the 1960s and 1970s before the introduction of digital exchanges.

It acquired these properties, which include shops, houses and vacant land, because it believed its exchange buildings would eventually have to be extended.

BT has sold more than 500 properties in the past 18 months as a result of its exchange modernisation programme. It would not put a value on these sales, other than to say that they ran into the millions of pounds.

This disposal programme will grow in volume and will continue into the 1990s, the company said.

Laing wins Sizewell contract

BY MAURICE SAMUELSON

A CONTRACT valued at £100m to build the main civil engineering works at the Sizewell B nuclear power station on the east coast of England has been awarded to John Laing Construction (JLC).

The civil engineering work represents the biggest individual contract in the £1.55bn Sizewell project and the first to be awarded since the Government announced its formal approval. This was given after Britain's longest public inquiry which lasted 27 months.

Before the Government announcement, the CEGB had already let a series of contracts, worth about £140m, for the pressure vessel, steam generation and pipework.

For Laing, which won the contract against strong competition with Wimpey/Cementation, it is a valuable acquisition at a time of slack orders in the civil engineering business.

APPOINTMENTS

ASDA man to join Ocean

OCEAN TRANSPORT & TRADING has appointed Mr Ian Laurie as finance director, from August 1, in succession to Mr Ronald Geoseman, who will be retiring due to ill health. Mr Laurie has been finance director of ASDA Stores since 1984 and was appointed to the executive board of ASDA-MFI in 1985. Prior to that, he gained financial experience with two other major retail groups, Home Charm and Savacentre.

ASDA has appointed two board directors from August 1. Mr Ren Scott becomes finance director with responsibility for finance, security and administration. He joined ASDA in August 1985 and is currently divisional director — finance. Mr Mike Palmer becomes director with responsibility for management information systems (MIS) including ASDA's development of EPOS technology. He is divisional director — MIS. These appointments are replacements for Mr Laurie.

★

Mr John Richards has been appointed a director of P. S. MOSSE AND PARTNERS.

★

At TECHPRESS PUBLISHING Sir Gordon Brunton has been appointed to its board as chairman. Sir Gordon, who recently retired from his position as managing director and chief executive of the International Thomson Organisation, has taken a substantial holding in Techpress Publishing.

★

BBA GROUP has made organisational changes. Mr Ray Mitchell, a main board director, takes the role of group director —corporate affairs and assumes a wide portfolio of responsibilities in group affairs, the key elements of which are the development of major growth opportunities and responsibility for BBA's growing investment in other groups. Mr Peter E. director—finance. He was group Clappison is promoted to group financial controller and deputy to the group director—finance.

★

Mr Christopher Bland has been appointed chairman and Mr M. W. B. Sketchley and Mr C. D. Stewart-Smith become directors of PHICOM. Mr Oh Bak Kim and Mr Chua Hua Eng have resigned as directors.

★

Mr. P. J. C. Hazel has been appointed to the board of BRITISH-AMERICAN TOBACCO COMPANY.

★

Mr James West has been appointed managing director of GLOBE INVESTMENT TRUST. He succeeds Mr Colin Black, who continues as an executive director and deputy chairman.

★

Mr George Kanaan has been appointed as a general manager of SAUDI AMERICAN BANK with specific responsibilities for managing the recently opened London branch. He rejoins Saudi American Bank, where he was previously head of the merchant banking group, after spending three years as executive director of First Chicago and vice president of First National Bank of Chicago.

★

Mr David Strauss has been appointed chairman of SEDGWICK FINANCIAL SERVICES, a member of the Sedgwick Group. He also joins the board of the Sedgwick UK Group. Mr Strauss was managing director of Sedgwick Benefit Consultants in Melbourne, Australia, until he joined Sedgwick Financial Services in October 1986.

★

GUILDWAY has appointed Mr Robin Best as finance director.

★

COPTHORNE HOTELS, part of the British Caledonian Group, has appointed Mr Peter Braisch as vice president development, a position which was formerly held by Mr Chris Rouse, who moves to the Mandarin Hotel Group.

★

The ALLIANCE & LEICESTER BUILDING SOCIETY has appointed Mr Lawrence Boyd as assistant general manager (corporate development).

★

The chief executive of Dalgety UK, Mr Maurice Warren, has joined the Gill & Duffus board, Dalgety's commodity company.

★

At H. YOUNG HOLDINGS Mr Stephen A. Evans has become a non-executive director. He is a stockbroker with Anderson & Co and has been connected with Young since Mr John Wilson became chairman in 1984.

★

Mr Jerry L. Greenwood has been appointed to the board of SHERATON SECURITIES INTERNATIONAL.

★

THE MORTGAGE CORPORATION has appointed Mr Stephen Clasper as director, capital markets, a newly-created post. He was deputy managing director at Bank of America International.

★

FABER PREST HOLDINGS, Rotherham, has appointed Mr Ian Mackenzie as group managing director. Lord Geddes becomes non-executive deputy chairman.

★

Mr Philip S. Ashby has been appointed a director of PRIEST MARIANS HOLDINGS.

★

Mr Tom Quinn, general manager of JOHN WALLWORK (FINANCIAL SERVICES), has been appointed a director.

★

Dr Peter R. Garland has joined AMERSHAM INTERNATIONAL as director of research. He was head of Unilever's biosciences division.

★

Mr Peter Muir, who joined the LLEWELLYN GROUP in January 1986 as chief executive of the Milton Keynes company, is now a main board director of Llewellyn Construction. Mr David Hankin, who recently joined Walter Llewellyn and Sons as chief executive, London office, becomes an executive director. Mr Keith Bedford, who has been appointed an executive director of Llewellyn Construction joined the company a year ago as construction manager.

★

Mr David G. G. Puddle has been appointed a director of MIDLAND MONTAGU FUND MANAGERS, to develop and market institutional fund management services worldwide. He was with Morgan Grenfell Investment Management.

★

GRANVILLE & CO has appointed as assistant directors: Mr Guy Eastman, Mr Robert Schiff, Ms Wendy Pollecoff and Mr David King. Mr David Williamson has been appointed compliance officer.

★

Mr Richard W. Musson has been appointed sales director at MELLAND AND COWARD, Stockport, part of the textile divsion of Whitecroft. He was finance director.

★

Mr Howard Trust has been appointed company secretary of MORGAN GRENFELL GROUP.

★

PANNELL KERR FORSTER has admitted Mr David Nash, Mr Nick Reed and Mr Richard Fellows into partnership following the dissolution of Robertson Nash.

★

THE ABBEY LIFE GROUP has appointed Mr Gerard Wherity as director of Abbey Life Investment Services responsible for fixed interest investments. He joins from Fuji International Finance where he was associate director in charge of the fixed interest portfolio.

★

LONDON & QUADRANT HOUSING TRUST has appointed Mr Don Wood, director of New Islington & Hackney Housing Association, to be its director in succession to Mr Michael Smith, who retires later this year.

★

NOBLE WARREN INVESTMENTS has appointed Mr Mike Scruby as a director.

★

The FUJI BANK has appointed Mr Naoaki Yokobori as general manager of the London branch. He will replace Mr M. Kiyota as general manager at the end of May, when Mr Kiyota returns to Tokyo head office. Mr Yokobori comes to London after heading the Tokyo treasury division.

Mr Jim McMahon has become a partner at DELOITTE, HASKINS AND SELLS, Birmingham, following two years as a corporate tax specialist with the firm, while Mr Peter Ward has returned to the UK from the Zambian practice.

★

SCHRODER INTERNATIONAL has appointed Mr John Burnham a director.

★

PAYLESS DIY, part of the Ward White Group, has appointed Mr John Hood, as financial director. Mr Hood joined Marley in 1978 and in 1983 became company accountant at Payless DIY, then a subsidiary of Marley. He became financial controller of Payless DIY when the company was acquired by Ward White Group in 1986. Mr Roger Napelton, head of systems development, is also appointed to the board. He is responsible for the implementation of electronic point-of sales systems and all computer functions throughout Payless DIY.

★

FRIENDS PROVIDENT LIFE OFFICE has appointed Mr Patrick F. Jenkin as a deputy chairman. He also becomes deputy chairman of United Kingdom Provident Institution. Mr Jenkin, who was Environment Secretary, will succeed Mr Edwin Phillips as chairman when Mr Phillips retires.

★

Mr Phillip A. Lowe, managing director YORKSHIRE CHEMICALS, has been appointed chairman in succession to Mr Alan G. Martin who remains on the board as a non-executive director. Mr Lowe will combine the post of chairman with his existing duties.

★

Mr David Roberts has been appointed a director of BRITISH ALCAN wire division and British Alcan Conductor. He will be responsible for the Port Tennant works near Swansea. Mr Gerry Davies has been appointed technical director of British Alcan Conductor, and Mr Bill Cummings becomes commercial director. Mr John Newton has been made a director of the wire division. He will be responsible for business development.

Banking chief at Aitken Hume

Mr John Cosson has been appointed chief executive of the banking group of AITKEN HUME INTERNATIONAL. Mr Cosson has spent the past three years in charge of the UK corporate banking division of Standard Chartered Bank.

★

MACCESS has appointed Mr James Corr as finance director. He will join the company on June 1 from North British Maritime Group where he has been group finance director since 1985.

★

LOTUS CARS has appointed Mr Roger Mackrill as quality director. He joins Lotus with 14 years' experience in the motor industry specialising in effective quality control.

★

Mr Michael Homewood has been appointed managing director (residential) of CUSSINS GREEN, the property development and portfolio management arm of Cussins Property Group. He was managing director of the London division of Broseley Estates.

★

Mr Norman Arthur has been appointed assistant regional manager (north) at STANDARD LIFE following Mr Derek Olliver's retirement. He has been promoted from the position of Edinburgh area manager and takes up his appointment on September 16.

★

Mr Chris Bailey will become finance director of E.C.C. QUARRIES on July 1. He is financial services manager of the English China Clays Group.

★

Mr John O'Connor has been appointed managing director of BARCLAYS DE ZOETE WEDD PROPERTY INVESTMENT MANAGEMENT from June 1.

★

Mr Bob Moore has relinquished for medical reasons his role as group managing director of SPP, Reading. Mr Peter Andrews, managing director (operations), has been appointed his successor. Mr Moore will remain a non-executive director.

Changes at Royal Insurance

ROYAL INSURANCE (UK) has made the following general management appointments:— Mr M. E. Berry is appointed a general manager, business operations. His area of responsibility includes London and the South East of England, relationships with national brokers and the major commercial classes of business. Mr J. S. Simpson is appointed a general manager business operations. His responsibilities include the west of England, West Midlands, north west England, Northern Ireland and Wales, business development with local brokers and agents and commercial package business. Mr W. J. Ward is appointed a general manager, business operations. His responsibilities include the north of England, Scotland, the east England, the Republic of Ireland, and British Engine, and business development with financial services intermediaries. He is also responsible for the claims function. Mr Berry, Mr Simpson and Mr Ward are also directors of Royal Insurance (UK). Mr A. J. Campbell-Hart is appointed a general manager, corporate services and a director. His area of responsibility includes accounting and finance, corporate personnel matters, corporate planning and information technology.

Electronic house arrest brings relief to US jails

Nancy Dunne looks at the innovative way in which America is taking some of the strain off its overburdened prison system

"THIS IS your Onguard electronic curfew check. I will give you 10 seconds to confirm that you are there."

Messages of this sort, followed by 10 seconds of brisk music, are heard in hundreds of homes across the US, where convicted lawbreakers are paying for their crimes under house arrest.

Since 1980 when the US Supreme Court ruled that overcrowding constitutes a violation of prisoners' rights, state governments have intensified their search for alternatives to building expensive, new prisons. Thirty-five state governments are caught between court orders to relieve their overburdened prison systems and the demands from their citizens that criminals be punished.

House arrest schemes, enforced by electronic surveillance, are growing in favour because they allow lawbreakers—usually those convicted of non-violent crimes—to live at their own expense and work to make restitution to their victims.

Ms Bobbie Huskie, a corrections consultant, says Florida has the oldest and most ambitious house arrest scheme in the US. More than 6,000 offenders live at home and about 600 of them are electronically monitored. In 1986, these criminals paid about $10.3m in restitution and $11.8m towards court fees and the cost of their probation.

The recidivism rate was much lower than that of offenders sent to prison—19 per cent compared with an average 33 per cent, according to Ms Huskie.

She says such programmes, with their close community supervision, inspire "more respect" than the typical probation schemes which are often seen as "a slap on the wrist."

In Tennessee, overcrowding reached the point in 1985 where one desperate county sheriff handcuffed 12 inmates to a prison camp fence because he had no room left in his jail. The state has since eased its overburdened prison system with several experimental programmes, including one private-enterprise prison and a house arrest scheme for 300 lawbreakers.

Last September Tennessee authorities instituted the electronic surveillance of 40 inmates, who are equipped with non-removable wristlets or anklets. Two types of systems are in use, an "active" monitoring system is in place for high-risk felons, and "passive" surveillance has been established for the lower-security offenders.

The "active" devices, called Home Escort systems, are produced by BI Incorporated of Boulder, Colorado. BI is also known for its dairy feeding system, which hangs a miniature transmitter around the neck of a cow to signal what and how much it eats.

BI says the Home Escort system, which it began marketing in 1985, was the first electronic monitoring device for house arrests. It equips offenders with constantly-signalling transmitters on strips around their ankles. Receivers in the homes pick up the signals at random and send them over telephone lines to "host" computers. National Cash Register computers, which can monitor up to 200 receivers at one time, receive and store all messages, can sound alarms and print reports on request.

The transmitters, weighing 2½ ounces, are fastened within cases by break-off screws which require a special tool for removal. Both cases and straps are tamper-resistant and give out a signal if cut, damaged or removed from the ankle.

> The recidivism rate for those kept under computer-controlled surveillance is much lower than for offenders sent to prison

Computers are programmed so that offenders can leave their homes for work without raising an alarm. The aklets, worn under socks, are not visible to casual observers, so the lawbreakers can avoid any stigma, which would set them apart from other workers and make their jobs impossible. The devices can be worn in the bath, while doing any kind of work and during strenuous exercise.

The "passive" system used in Tennessee is produced by Hitek Community Control Corporation in Fort Lauderdale, Florida. This system, developed by two former US Space Agency engineers, equips the lawbreakers with either wristlets or anklets, depending on which is more convenient for the work they do.

Surveillance is conducted by a Telsol automatic calling device, also used by many department stores automatically to call customers, deliver messages, ask questions and record answers. The Telsol unit employs an IBM personal computer to call offenders at random several times a night when they are supposed to be at home.

Answering the call, the convicts place a tag on their surveillance device into a box near their phone. This emits a sequence of tones over the phone line. The offenders then pick up the phone and confirm that they are at home.

Failure to answer the call sends the system in pursuit, calling a series of locations where an offender might be. If convicts fail to respond within an hour, the computer alerts probation officers by means of their pocket bleepers.

Critics of the active system say it is fallible, because the signals will not be received if the wearer is behind metal objects like a refrigerator door. Proponents say it works best because offenders are being constantly monitored.

The Home Escort system can be leased or purchased and the average cost is about $7 a day, considerably less than the $32 a day it costs to keep an offender in prison. The passive system is leased at a maximum $2.83 a day. Tennessee officials say both systems have been "very satisfactory" and best of all, the offenders have the cost of their own surveillance deducted from their wages.

Royal Navy test-bed with an eye to nuclear safety

WHAT happens when a nuclear reactor springs a leak? This is a question which has exercised reactor designers—and their critics—for decades. Sometimes nuclear scientists have tried to simulate what will happen, but always on a small scale.

A clearer answer could be at hand, however. This summer a unique engineering facility comes into operation in the north of Scotland, when the Royal Navy commissions LAIRD, its loss-of-coolant accident investigation rig at Dounreay.

The Navy claims that LAIRD, at its Vulcan laboratories close to the civil—and better known—Dounreay Nuclear Power Development Establishment, will be the only full-scale test facility for loss-of-coolant accidents in reactors anywhere in the world. No civil facility for such experiments exists in Britain.

Over the next three years LAIRD will be used by Rolls-Royce and Associates, the Navy's nuclear experts, to study the safety of Britain's nuclear submarine fleet, present and future. LAIRD is designed to simulate and follow the course of any imaginable accident to the primary circuit of a pressurised water reactor (PWR).

Although it is an exclusively Navy project, Don Clarkson, director of the Vulcan Naval Reactor Test Establishment, says he will be surprised if there is no exchange of data on nuclear safety with the civil industry, now building 1,200-megawatt PWRs, starting with Sizewell B as the first of its proposed "small family" of four to six new nuclear stations. The civil industry has no plans of its own for a loss-of-coolant accident simulation.

LAIRD could also be important in helping to make the safety case for small civil reactors, much closer in capacity to the naval reactors. Potential markets for small factory-assembled PWRs as highly reliable powerplants have been identified by Rolls-Royce itself, independently of the defence consortium Rolls-Royce and Associates.

LAIRD was not built from scratch but is an adaptation by Rolls-Royce and Associates of a shore-based PWR it built for the Navy in the early-1960s. This was a test-bed for successive designs of reactor core for the Navy's nuclear fleet. By 1984, when this PWR completed the testing of a third core design, it had seen 19 years of service. Its experimental data underpins the 50 reactor cores built so far for the Navy.

In 1985, the consortium—which operates Vulcan on behalf of the Navy—began to install a new test-bed, called PWR 2, prototype of a new generation of Navy reactors, more powerful but quieter than previous models, and also designed to new safety standards. Reactors of this type will go into Trident missile submarines and the next generation of nuclear "attack" submarines.

For the redundant reactor the nuclear experts drew up a scheme to give it a new lease

OUT OF THE BACKROOM
by David Fishlock

of life as an experimental facility capable of following reactor behaviour under fault conditions. This meant major additions to its plumbing, so that any kind of leak or fracture can be simulated safely through fast-acting valves, in a circuit running at similar pressure to civil PWRs—around 2,000 lbs per square inch.

> Over the next three years the facility will study the safety of Britain's nuclear submarine fleet by simulating any imaginable accident

The coolant water which drains from the reactor is caught in a closed system so that it can be returned quickly to the primary circuit for repeated tests.

The first step, after removal of the last radioactive reactor core under test, was to purge the primary circuit of radioactivity. The consortium developed its own chemical process for decontaminating the plant. This process has since been used successfully to treat a submarine reactor before it was refuelled.

For LAIRD, the process has reduced the radioactivity to the level of a low-activity laboratory—the kind found quite commonly in research centres—says Clarkson. It has given his engineers ready access for the conversion of the PWR.

Conversion involved stripping away the propulsion machinery from what was originally built as the back half of a complete nuclear submarine, on which sailors could train. The big dynamometer used to absorb the output of the steam turbine has been sold to the US Navy.

The reactor vessel was ultrasonically inspected and pronounced perfectly fit for its new role. (The safety and reliability directorate of the UK Atomic Energy Authority is the Navy's adviser in safety matters.) Engineers then welded into the primary circuit the nest of new pipes and valves needed to simulate leaks—small ones as well as the so-called "guillotine fractures" of a main pipe.

LAIRD will be used to simulate faults in all classes of Royal Navy reactor; Swiftsure, Valiant and Trafalgar, as well as the new Trident design based on PWR 2. Every component and subordinate system critically concerned with reactor safety can be explored in this way, to verify the computer codes used by the designers of Navy reactors. Then the complete reactor system will be tested.

Initially, all these tests will be done "cold" since LAIRD will contain no nuclear fuel. But "hot" tests will follow. For these an electrical heater will be installed to simulate the radioactive decay heat from a reactor which has been shut down but still needs to be kept cool.

Other nuclear laboratories—in the US and France, for example—attempt to simulate reactor faults using nuclear fuel, but under greatly scaled down conditions involving single fuel pins. They are complex to relate to the real thing. The backroom experts at Vulcan say LAIRD will be the only facility able to show how a real reactor responds to a fault or an operator's error. But it will do so without raising the risk of a leak of radioactivity.

Designs beyond the forger's art

By Geoffrey Charlish

DOCUMENTS LIKE passports and identification cards can be protected against forgery with a marking system called Advantage. Originated by Armstrong World Industries in the US, it is available in the UK from Indentilam of Dorking.

Specific chemicals are impregnated into the surface of the paper, in the form of a company logo for example. When viewed at different angles, the design assumes various colours. For plastic cards the chemical is applied as part of a lamination, but if this is peeled off, the chemical remains in the surface below. The imprint would normally be over a picture of the bearer, and the company claims that attempts to tamper immediately become obvious.

Kodak juke box holds 7m images

KODAK of the US has announced a large-scale document image storage and retrieval system based on the company's recently developed 12 in optical disk, which can hold 52,000 images.

Called KIMS 5000, the system can accommodate up to 131 of the disks in "juke box" fashion, giving maximum storage of 7m document images. It uses three Digital Equipment Microvax 2 computers which allow images from the disks to be supplied to many high-definition screens in a matter of seconds.

The system costs from $800,000 and is aimed at large organisations that must have quick access to original documents of which a completely permanent record has been made.

Contracts and Tenders

Company Notices

Clubs

Art Galleries

BUSINESS LAW

The law is the law but . . .

BY A. H. HERMANN, LEGAL CORRESPONDENT

A LAW is a law and never mind principles and theories—that is the echo one can hear in most English courts and law schools. Principles may be the right thing for US courts which can dislodge rules made by Congress and the President, using the Constitution as the fixed point of leverage, but not for the UK where parliament is supreme.

Quite so—but on second thought perhaps not. Principles and theories, best in the form of a bill of rights, are often at the root of the difference between the "law of the jungle" and "the rule of law." It is a highly practical difference. The law of the jungle protects you as long as you are the strongest. The rule of law restrains the strong to protect the weak. It is the insurance premium the strong pay while they are strong to reap the benefits when they weaken; as inevitably they will.

The recent decision from the High Court in the International Tin Council case* tries to tell us that there is no way of making sovereign traders pay their debts. Few people would say this is a pronouncement emanating from the rule of law. This is a social rather than a moral issue; if we have no rule of law in the market there will soon be no market.

Some governments go even more brazenly about the business of striking off their debts and obligations. Earlier this month the Greek Government obtained from its parliament the approval of what I call *Lex Andreadis*, wiping off £27m which it owed under an arbitral award to Stran Greek Refineries, now in liquidation. Stran is wholly owned by Professor Stratis Andreadis. The long feud of Prof Andreadis with the Government dates back to 1976 when the Government, by a decree, the constitutionality of which he denies, deprived him of control of the Commercial Bank of Greece group, the second largest in Greece. His equity interest was reduced from over 50 per cent to 27 per cent.

Over the years Prof Andreadis became involved in numerous litigations with the Government in an effort to recoup some of his interests or to obtain dividends due on those shares which he still has. One of these disputes, which the Greek parliament was asked to terminate, concerns a contract concluded by Stran with the Government in 1970. Stran was to build a refinery at a site to be acquired by the Government. However, the second military coup of November 1973 intervened. The site chosen for the refinery was converted for other uses and work on the project could not go ahead though Stran had already incurred substantial expenditure and liabilities to Greek and foreign contractors and suppliers and had arranged loans to finance the project.

The issue remained in suspense during the rule of the colonels but the contract was formally terminated by a decision of the elected Government on October 14 1977.

Prof Andreadis claimed refund of the expenses and liabilities. The Government invoked the arbitral clause of the contract and the arbitral tribunal, presided over by the Honorary President of the Supreme Court of Greece, awarded Stran 70 per cent of the expenses and *liabilities incurred in the frustrated project*, with interest approximately £27m.

This award, published in February 1984, was immediately challenged by the Government which applied for judicial review. Both the court of first instance (in 1985) and the Court of Appeal (in 1986) confirmed the award. The Government appealed further to the Supreme Court of Greece which was due to hear the case this month. Prof Andreadis had some ground to believe that the Supreme Court would confirm the decisions of the lower courts. The government seems to have feared the same as it hurriedly appended to a bill *passing through parliament* a few clauses wiping out the arbitral award. Neither Stran nor Prof Andreadis are mentioned in these clauses which obstensibly reinterpret the law 141/1975, which invalidated contracts made by the colonels in the years 1967-1974. The new measure voids any arbitral clauses of such abandoned contracts and any arbitral awards made. It seems that the award obtained by Stran was the only important target of this legislation.

Though there may be some room for a reference to the European Court of Human Rights in Strasbourg, the way the Greek Government disposed of Prof Andreadis's claims is essentially a domestic affair. However, few foreign investors will be greatly encouraged by it.

By contrast, the way the European Community applies its antidumping rules may yet prove to be an international boomerang. This was launched by a series of judgments† in which the European Court rejected on May 7 1987 appeals by a number of Japanese manufacturers of small ballbearings against an antidumping duty *instituted by Council* regulation 2089/84.

The main complaint in all these appeals—as well as in those in the pipeline and now likely to be abandoned—concerned the method of calculating the dumping margin by the European Commission. This should be the difference between the "normal value" charged on the exporter's domestic market and his lower export prices. The antidumping regulation gives the Commission a choice of methods of calculation — *transaction prices*, averages, mean prices, most frequently encountered prices. According to *Article 2/9 of* regulation 3017 "in order to establish a valid comparison, the export price and the normal value should be assessed on a comparable basis in respect of physical characteristic of the product, quantities *and sales conditions.*"

The Commission used a weighted average for calculating the "normal" domestic price in Japan but compared it *with an average of only that* part of the export prices which was under the level of the "normal" price. The excess of export prices which were higher than the domestic price in Japan was cut off and these prices appeared in the calculation as equal to the "normal price." The Japanese companies may have been guilty of dumping but such an arbitrary method of calculation seems to ignore the reality of the market where individual transactions are at different prices to meet marginal demand.

The Japanese companies complained that the Commission obtained in this way a *lower average of the export* prices than corresponded to reality and that the use of the two different methods made the figures incomparable and the result unfair. The court said the regulation said nothing about the need to use identical methods and rejected the complaint of unfairness, reasoning that the Japanese charged higher prices in some transactions only to achieve an average which would obscure the dumping effect of other transactions. One can only pray that a similar treatment should not be applied by others to the subsidised exports of the Community.

Not even the Federal Supreme Court in Karlsruhe (BGH) keeps always within the system which one associates with the rule of law. It failed to live up to it when called upon to remove one of the more obvious privileges enjoyed by banks in Germany.

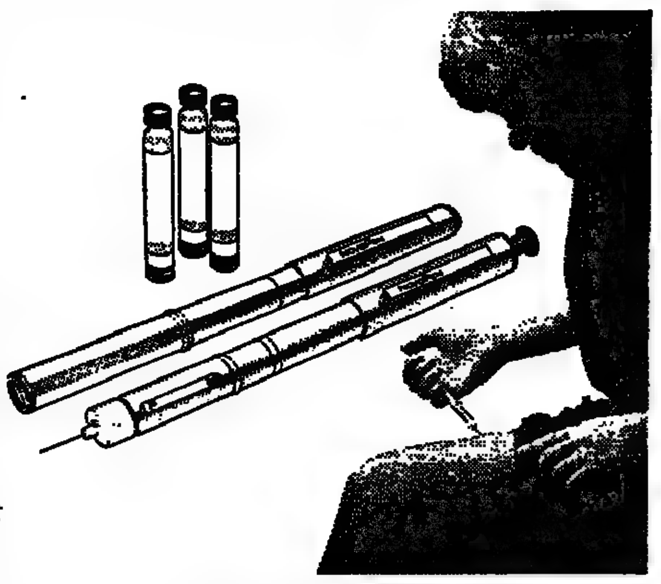
This concerned the use of *funds received* by a bank *for an* insolvent client who was in overdraft. If he applied for the opening of bankruptcy proceedings, a bank using moneys received for the client after the date of the application for settling his overdraft could be opposed by other creditors. Whether the bank might use such remittances for settlement *of its own claims, if the debtor* applied instead for a judicially supervised settlement with creditors, was a hotly contested question in German legal literature.

In case II ZR 293 185, the BGH has now sided with the banks. It refused all analogy with the bankruptcy ordinance. To leave no doubt about the desired result, the court also said that the failure of the trustee in insolvency to revoke the authority previously given by the insolvent debtor to his customers, to pay *what they* owed him into his bank account, was not a prohibited special agreement. This decision clearly infringes the principle *of equality of* unsecured creditors. It is what they call in Germany *Systemwidrig*. German banks, apparently, can get an exemption from the rule of law.

* *Maclaine Watson & Co Ltd v International Tin Council. FT Law Report, May 20 1987.*
† *Cases 240, 255, 256, 258.*

MANAGEMENT: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ



Although Novopen contains FDA-approved insulin, the pen itself needs separate approval

Novo takes on US drugs giant

Hilary Barnes on the Danish group's strategy

EVER SINCE 1983 when Novo, the Danish insulin and enzymes manufacturer, reported pre-tax earnings equal to a 28 per cent return on sales, analysts have been worrying because the group has failed to repeat such unsustainably high profits. Nevertheless in 1986, they remained a very respectable 19 per cent of sales.

This has tended to overshadow Novo's achievement in penetrating the vast but hostile US market for insulin, one of the none-too-many cases in which a European company has successfully established itself in the face of intense competition from a dominant American producer, in this instance Eli Lilly.

Novo first went seriously international in the marketing of insulin in the early 1970s after it had developed a highly purified, so-called monocomponent insulin, from which all the contaminants which set up anti-body reactions in diabetics patients were eliminated. Novo believed that the technology which it had used gave it a five-year lead over its competitors.

However, the company miscalculated the American market at the outset. "We entered the US market with our own products in 1979-80," says Sonnich Fryland, executive vice-president of the pharmaceuticals division. "The basis of our entry was that we thought we had a superior product, so superior that we could turn the market round."

But Novo had not given enough attention to the enormous cultural and commercial differences between the US and European markets, nor could it foresee how its competitive situation would be affected by the actions of the US regulators.

As Novo prepared to enter the market, says Fryland Lilly began upgrading its own insulin products, reducing the level of contaminants from over 100 parts per million first to 40, then 20, and finally 10 ppm. Novo's highly purified insulin contained no detectable contaminants, ie, less than 1 ppm.

The US Food and Drug Administration, the US regulatory body, however, ruled that a product with fewer than 10 ppm could be described as "purified"—the same classification as competitive products—but would not permit Novo to use the trade mark "monocomponent."

"So in 1981 we found that we were not permitted to say what we believed was the right thing—that we had the best product," says Fryland.

At this point Novo had to consider its options and the risks it ran if it tried to take on Lilly alone. Novo was then, and remains, a small company by the standards of the large American pharmaceuticals companies, with a 1985 turnover of DKr 4.1bn (about $540m). The comparison became even more marked when Lilly's marketing power in the US was set against Novo's. Lilly had around 1,000 sales and medical representatives compared with Novo's fewer than 20.

The insulin market is also utterly different from that in Europe. In Denmark, where insulin is a prescription-only drug, all pharmacies, of which there are only 300, must stock a drug once it has been registered by the health authorities.

In the US, where insulin is an over-the-counter product, there are 60,000 retail pharmacy outlets, and they only stock a preparation if customer demand makes it worthwhile to make room in the refrigerator, as Fryland puts it.

At about the same time Novo stole a march on Lilly by becoming the first company to market human insulin (the chemical make-up of which is identical to insulin produced by the human body), initially in Europe, but by the time regulatory approval was obtained in the US, Lilly had also brought forward its own human insulin.

"Our option was either to go for a very exclusive part of the US market or to make sure that we had the resources available to meet the competition," says Fryland.

The answer was a joint venture with E. R. Squibb Inc, with which Novo already had some marketing links. Squibb was then a company with turnover about four times the size of Novo's.

Squibb was already selling insulin in the US market, but it lacked Novo's production technology and was at a disadvantage in the US market both in relation to Lilly and Novo. What it did have was the marketing and distribution muscle.

The joint venture, set up in 1982 on a 50-50 basis, combines Novo's and Squibb's interests in diabetics care in the US. In Squibb-Novo Inc, Novo provides the research and production, Squibb the sales and distribution.

In 1982 Squibb-Novo's share of the US market was about 7 per cent. It now claims 23 per cent, though Fryland fudges the issue, for competitive reasons, as to whether this is volume or value. He describes this development as "very satisfactory to us."

Squibb, too, is evidently happy with the business, as the field sales force in Squibb-Novo is being tripled to 120 in 1987, concentrating its efforts on hospitals and specialists. Squibb's own sales force is more GP-oriented.

When Squibb-Novo was first established, Lilly launched a vigorous marketing campaign to stop the growth of Novo's market share. This forced Novo to step up its own marketing efforts which caused a reduction in margins—a reduction, however, which Novo was strong enough to take. Now Fryland describes the competitive situation as "normal."

The Squibb-Novo joint venture solution caught on. It was followed up in 1983 with a similar arrangement in Canada with Connaught Laboratories and in 1984 in Australia with CSL.

The Squibb-Novo co-operation, says Fryland, has become a "strategic alliance." Novo is now selling Squibb products in Scandinavia, notably a successful Squibb ace inhibitor against hypertension.

Novo's recent acquisition of Ferrosan, another Danish pharmaceuticals company for which a bright future in so-called CNS (central nervous system) products is predicted, has further cemented the Novo-Squibb relationship, as Ferrosan and Squibb already co-operate in research in the CNS field.

Novo has now launched another campaign to increase its US market share with the introduction of the NovoPen, a small and unobtrusive injection system, about the size of a fountain pen, which is used to give injections of short-acting insulin.

The advantage of the pen is that diabetics can take it out of their pocket or handbag and give themselves a dose at any time, which means they do not have to take meals at set times or leave meetings.

The NovoPen is already a success in Europe, though Novo lost ground to its Danish competitor, Nordisk Gentofte, the world's third largest insulin producer (with very little activity in the US), when it underestimated the demand for the pen.

Novo has considerable hopes for the pen in the US, especially as Lilly, according to Novo, has not developed its own pen.

But before the pen is marketed in the US it has to pass the regulatory hurdles. Although the insulin used in the pen is the same human insulin which already accounts for about a quarter of Novo's US sales, the pen is a "medical device" in its own right and therefore requires separate approval.

As the date at which FDA approval will be forthcoming is unpredictable, Fryland declines to predict that 1987 will be the year when the company cracks the American market.

Financial advertising regulations

Transgressors will feel the bite

Feona McEwan explains what will supersede self-regulation

FINANCIAL investment companies in the UK will soon have a new set of rules to learn and live by which, for the first time, will impose upon them a statutory standard of advertising practice. Just as companies dealing in insurance, life assurance, unit and investment trusts, have been given the green light to market more freely, post Big Bang, so the web of regulations to keep them in check grows. For the investor, this means more protection. For the marketer, more red tape.

Unlike previous codes of conduct governing investment advertising, administered by bodies like the Advertising Standards Authority and the Stock Exchange, the new batch is legally binding and carries drastic penalties. Severe transgression could result in a transgressor losing his credentials and a company ceasing trading. Investors who lose their money as a result of a company breaching the rules will be able to sue for losses. These regulations, dictated by the Financial Services Act, come into effect from the end of the year.

For advertising agencies, used to self-regulation from relatively toothless industry bodies with restricted powers of enforcement, this will be a new straitjacket to cope with. For financial companies used to the rarely exercised authority of the Department of Trade and Industry, this will demand a more diligent reading of the fine print.

At the year end, all investment businesses will come under the auspices of a regulatory body—either the Securities and Investment Board, the City watchdog, or one of five self-regulatory organisations (SROs) or, if they belong to a profession, to that professional body (these include the four chartered accountancy bodies and three law societies).

The five SROs are the Securities Association (born out of the Stock Exchange), Association of Futures Brokers and Dealers, Financial Intermediaries Managers and Brokers Regulatory Association, Investment Management Regulatory Organisation and Life Assurance and Unit Trust Regulatory Organisation.

First off the mark has been the SIB, which has now issued its doorstop of a rulebook. When it came to drawing up its advertising rules, which make up one section of the tome, the board examined existing codes of practice in the UK, US and Australia and consulted advertising industry bodies. After subsequent revisions, the original blank sheet of paper is now some 14 pages long. (The whole book is two inches thick.)

SIB rules have already come in for some criticism from future users who complain that they are excessively complicated. However, such criticism is usually voiced in such a way that indicates the complainants understand the terms pretty clearly. The reason for such detailed and exact rules is the fact that they are answerable in law. For the bulk of investment companies, this precision is very new.

Ultimately the SIB rules governing advertisements should become the responsibility of a given trustee or group within the investment company, the SIB suggests. Agencies, too, will need to grasp the essentials as they could be held responsible for the work they put out.

Subjects covered by the SIB rules range from tombstone and image advertising to press or television coupon ads, known as off-the-page or off-the-screen ads. As well as stipulations about fairness, honesty, and so on, there are specific rules about such matters as attaching warnings of risk to a given product, but not in small print or in minimised form. Again, television coupon ads are not permitted unless repeatedly accessible by investors, for instance, through Oracle or cable.

Nor is there any scope for persuasive marketing jargon like "free trial period" when referring to the already existing statutory cooling off period. Where appropriate this must be spelt out that it is conferred by law.

Some rules, like those about misleading ads, will be adjusted if necessary as complaints emerge.

Although no one knows just how the rulebook will work until it goes into effect, the SIB expects complaints to come to it mainly from investors. Depending on the degree of transgression, the offending company may be reprimanded or have its authorisation suspended. Investors who lose money can go to court to recoup their losses by bringing an action against the investment company. There is also a large number of procedures open to complaints, including independent investigation, for example, by the Ombudsman.

At the moment, other SROs are busy drawing up their own rules. In many cases there will be variations, though the SIB, for one, is keen to minimise those differences—14 different codes would be hard to handle—with a common core of rules. The end of July should see the outcome.

More UK than US companies use PR

BY DAVID CHURCHILL

BRITISH companies are way ahead of the their US counterparts in the use of public relations, claims a new report on the use of PR on both sides of the Atlantic published by Shandwick, the UK's leading quoted public relations consultancy.

The report based on a survey of 200 chief executives in the UK and 200 in the US, is in direct contradiction to previous surveys which have suggested that American companies enthusiastically embrace PR.

A survey carried out by the Carl Byoir consultancy, for instance, found that some 84 per cent of the top 500 US companies used PR consultancies in 1984—compared with 69 per cent of similar sized British companies.

The Shandwick survey, however, found that nearly 80 per cent of the 200 UK chief executives surveyed—from both large and small companies and in all industries—regularly used an external PR consultancy.

But in the US, only four out of every 10 of the chief executives surveyed — from similar sized companies as the British survey — said that their company used a consultancy.

Moreover, some three out of every 10 of the British companies also had an internal PR department — compared with just 15 per cent of the US companies.

Shandwick suggests that "equally striking is the fact that over half of British chief executives interviewed have formally integrated public relations into their corporate planning system, compared with one third of US top management."

The results of the survey may prove embarrassing for Shandwick since it has recently made a number of acquisitions of US public relations consultancies and is keen to develop further in America.

"But it proves the market potential for us in America," Peter Gummer, Shandwick's chairman, points out from New York this week.

Gummer, however, admits initially to surprise at his survey's findings. "But when I told people over here about the survey they were not at all surprised," he says.

He also believes that British chief executives have become more aware of PR than their American counterparts because of their need to communicate during mergers and acquisitions.

"What this survey also means is that British public relations specialists no longer have to feel like the poor relation when dealing with their US counterparts," adds Gummer.

* *Carried out by Research Bureau and its US associates.*

THE ARTS

Piccolo's 40th anniversary/Milan

Michael Coveney

The Piccolo Theatre in Milan, one of the greatest of Europe's post-War companies, is forty years old. The cake was cut last Thursday by its founding director and inspirational powerhouse, Giorgio Strehler, who has directed most of the productions since the doors opened on May 14 1947.

To mark the occasion, visitors could see both Strehler's latest production, *Elvira, o la passione teatrale*, and his oldest and best loved (now in its fifth or sixth edition), *Arlecchino servitore di due padrone*.

In between, the indomitable Strehler, now 65 years old, followed his first acting appearance since the War in *Elvira* with a cheerleading chairmanship of his own party under the television lights, hosting an improvised cabaret and nostalgia jag interspersed with satellite link-ups with John Gielgud at the Old Vic, Maurice Béjart and his troupe somewhere in Spain and the popular French singer Barbara in Paris.

The celebrations were also joined by M Francois Léotard, the French Minister of Culture, and his predecessor in the Socialist government, M Jack Lang (who received warmer applause and a Strehler bear hug), to underline the Parisian link in Strehler's Theatre of Europe initiative; by Marie Hélène Dasté, daughter of Jacques Copeau whose Vieux Colombiers operation, along with Brecht's Berliner Ensemble (also founded in 1947), was the Piccolo's creative ensemble example; by Barbara Sukowa, singing from *The Threepenny Opera* and speaking for actors throughout Europe; and by such distinguished longstanding colleagues as Tino Carraro, Valentina Cortese, the designer Ezio Frigerio, the composer Fiorenzo Carpi, and the widow of the Piccolo's co-founder, Paolo Grassi.

There were telegrams, too, from Samuel Beckett, Federico Fellini, Willy Brand and François Mitterand, this latter produced by Strehler with an especial flourish.

Gielgud's recital of Prospero's renunciation of magic was icily impersonal and bedevilled by technical hitches; one felt he was taking part as a gentleman, not as a fan. As Gielgud tetchily released Ariel to the elements, Strehler's own recent Ariel, Giulia Lazzarini, flew out of sight on a steel wire.

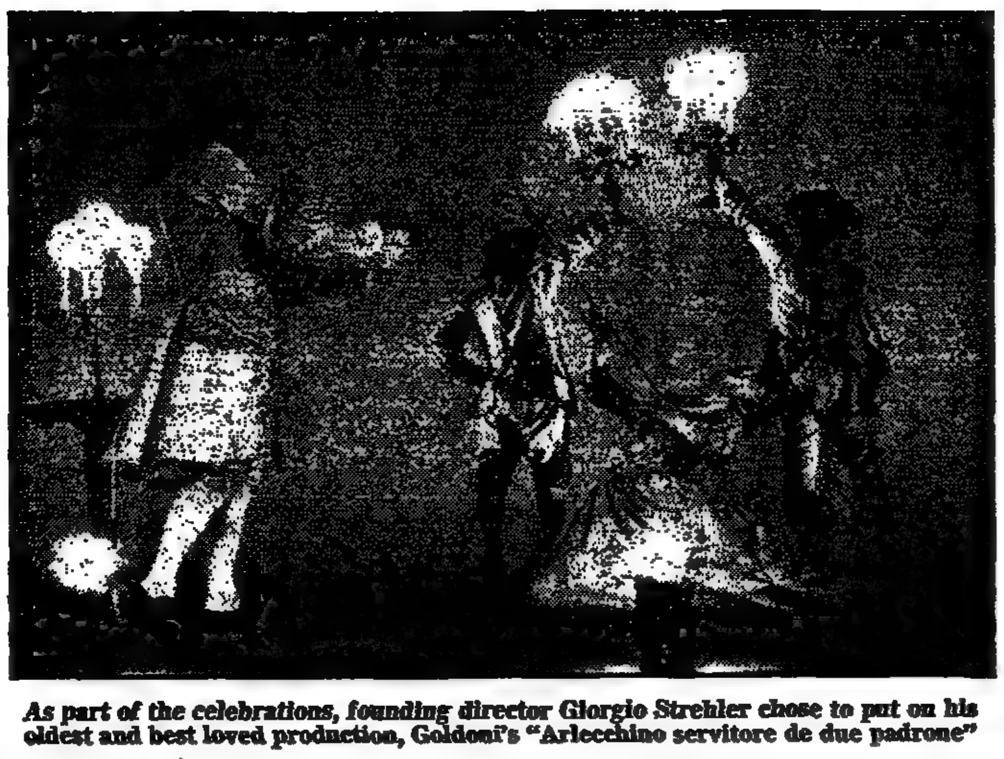
Milan has promised to complete the new Piccolo for Strehler by 1990. *Elvira* and the party took place in the new Teatro Studio, a large spacious arena with a horse-shoe auditorium, ostentatiously new brick work and red steel galleries, seating for 450. Strehler appeared in black, faintly simian of feature and luxuriantly white-haired, and withstood the applause for two minutes.

He introduced the play, *Elvira Jouvet 40*, which was adapted last year by Brigitte Jaques from transcriptions made of a series of seminars given by Louis Jouvet over a period of seven months prior to the German Occupation of Paris in September 1940.

Jouvet, Copeau's protegé, and a key figure in the Strehler *pantheon of practical intellectuals*, was instructing students at the Conservatory, and an actress called Claudia, on that scene in Molière's *Don Juan* (Act IV, scene 6) where Elvira appeals to the roué to pull back from the brink.

The play, a rather dull and dusty affair, was premiered in Strasbourg. Strehler has made of it a riveting study of sense and sensuality, toying with the dark illusions of dramatic performance and a director's creativity. A plaintiff row of footlights bisects the vast floor. Elvira is pleading with a mute Don Juan, but is herself the object of Jouvet/Strehler's instructional pleading. The seven lessons are broken up by sounds of War and projected footage of the Nazi advance through Europe.

The Piccolo was a product of the War in that Strehler and Grassi wanted to unite the people of a great city in a common cultural cause. In *Elvira*, Strehler rehearses many of his recurring arguments about impassioned truthfulness, the sense behind gesture, the quality of tenderness. He reveals a lot about himself, too: an infallible eye for grouping among minor characters, impatience with sloppiness, an obsession with text (often forgotten in appreciations of the visual banquets he serves up), and sheer star quality. Claudia is played by *Giulia Lazzarini*, who is both technically controlled and convincingly improvisatory as she works towards the seventh scene delivery of her vainly heart-rending supplications.



As part of the celebrations, founding director Giorgio Strehler chose to put on his oldest and best loved production, Goldoni's "Arlecchino servitore de due padrone"

In another happy coincidence, it was Jouvet's 1947 revival of the play that introduced *Don Juan* to the modern repertoire after almost three centuries of neglect. Strehler has waged a similar campaign on behalf of Goldoni, renewing the *commedia dell'arte* conventions in the light of modern sensibilities in sexual, domestic and mercantile affairs.

The first Piccolo season comprised *Arlecchino* and plays by Gorky, Salacrou and Calderon. Unlike the Berliner Ensemble or the Moscow Art in its early days, there has been no contemporary house dramatist. Instead, the received dramatic literature, from Shakespeare to Ibsen, from Pirandello and Strindberg to Beckett and Bond, has been subjected to interpretation of microscopic intensity and an unfailing aesthetic of good taste.

I have seen the Piccolo's work at various ports of call, most regularly in recent years in Paris. *Arlecchino*, it is chastening to remember, has *never* been seen in London (an early version was at the Edinburgh Festival of 1956). It is a classic production of prodigious energy and charm that is now, Strehler swears, in its last embodiment.

There is no furniture apart from three beautiful standing screens and a couple of large trunks for the last act clothing confusion, no scenery save a pure white traverse and cyclorama. Otherwise, all is illumined by candlelight (that is the illusion, at any rate) and an interior scene indicated, for instance, by two servants holding candelabras to make an informal arch. The costumes are exquisite without being precious or fustian, the acting explicit and sure without being coyly *alla commedia*. Since 1947, Strehler has had but two Arlecchinos, Marcello Moretti and, in the job since 1962, Ferruccio Soleri.

Soleri has said that, as he gets older, so Arlecchino becomes younger. There is indeed a childish spontaneity in his antics that is deeply moving. In the trunk, he finds himself enmeshed in a white smock and reverts, *startlingly*, to perambulator habits of squeaking and flailing. The serving of two meals remains a masterpiece of timing, food flambéd and thrown from behind the screens, plates and tureens despatched on teasing trajectories while Soleri remains in full flight in the opposite direction. On Friday night, not a fork hit the deck.

The frustrated romance of Florindo and Beatrice was beautifully played by Franco Graziozi (another survivor from 1962) and the huskily voiced Andrea Jonasson, the latest of Strehler's wives and a limber, sexually intriguing object of the innocent Clarice's (Susanna Marcomeni) experimental overtures.

Arlecchino plays in the old Piccolo itself—an agreeably modest 600-seater with no architectural or decorative pretensions—until May 29. Strehler will continue work on his *Faust* (he will take the title role, surely a diabolical match for any Mephisto?) scheduled for the Studio next year.

Strehler's has, in a sense, been Europe's longest-running one-man show; there is no provision for a successor. Just as he derives his methodology from Stanislavsky, Copeau, Jouvet and Brecht, so Strehler's example is followed by Planchon, Chereau, Stein and Bondy. It has been an astonishing career and I shall not be at all surprised if, once the new Piccolo (seating 1,200) is under way, Strehler starts planning his golden jubilee of 1997.

Kiss Me Kate/Old Vic

Michael Coveney

I start from the premise that *Kiss Me Kate* is not one of Cole Porter's best musicals. Nor is it one of Adrian Noble's best productions. The underpowered and visually chaotic proceedings that have arrived at the Old Vic after a Stratford première in February and an extended tour in the provinces represent neither the best of the American musical theatre nor anything resembling an intelligent RSC vintage.

The quarrelling Kate and Petruchio in a Baltimore try-out of the play were based on the Lunts; the backstage ruse in Sam and Bella Spewack's book creates a good setting for the physical rough and tumble. The Lucentio has signed a gambling debt on to Petruchio, two hoods come to collect. Kate is in hock to a Sugar Daddy, Bianca hoping for her big legit break and ogling Petruchio.

Mr Noble and his designer William Dudley have done nothing to freshen the piece with any application of homogenously modern or creative style. Instead it is taken at face value and presented as a messy hotchpotch of a mock Renaissance fit-up show plonked in a familiar world of standing flats, lights, sunbaked medieval perspectives, gaudy front cloths and costumed (by Liz da Costa) with unbelievable vulgarity in clashing pinks and oranges, black and white checks, printed tights.

Because a musical was written in 1948 is no reason to keep reminding your audience of the fact. Paul Jones is a proven artiste in his own musical and performing sphere, but his voice does not have the depth and richness (I do not necessarily require Howard Keel) for the score. Nichola McAuliffe has the vocal beating of everything, and is especially good at inflaming the lumbering "I Hate Men," but she works so hard she ends up charmless. One should also expect an RSC show (this is a co-production with the commercial management, Triumph) to make us feel that their relationship matters.

Most surprisingly of all, the choreography of Ron Field is routine and old-fashioned (I do not necessarily require roller skates), except for those sequences involving the miraculous Tim Flavin who makes an elegantly manoeuvred silk purse of the sow's ear "Bianca"—with true class, he finishes everything he does so beautifully.

The sound system is just about tolerable. Apart from the wonderful "So In Love Am I," in which Miss McAuliffe sacrifices vocal luxuriance for emotional anxiety—the one spot in the show that strikes home—"Brush Up Your Shakespeare" comes off best, as it should. The gangsters are blithely and delightfully played by John Bardon, a former "Max Miller," as a potato-faced loon seemingly set in concrete, and the People Show alumnus Emil Wolk.

If you have to see the show, go for Wolk. He plays a jumpy zany—for one just returned from Strehler's Piccolo Theatre, the Harlequin references elsewhere are too much to contemplate—sucked into showbiz as Kate's reluctant minder. But he likes the mirror the moment he barges into the dressing room and by the wedding scene he has stuffed himself into a dress and is pulling a gun on the flute accompaniment to a McAuliffe trill.

Come the second act, he has acquired a hat of fruit and an interest in manicure; his Carmen Miranda phase is brutally curtailed by the off-stage putsch which invalidates the debt and sends Kate back to Petruchio. What Mr Wolk achieves with this role is in itself, and I would say alone, worth the price of admission.

Bruce ballets/Sadler's Wells

Clement Crisp

The final programme of the Ballet Rambert season is made up of three works by Christopher Bruce, and dedicated to him "as a way of saying thank you" for his long association with the company. Bruce as a dancer is inevitably remembered for those crucial years when the Rambert troupe assumed its new identity, and his interpretations in many works seemed to set a seal of excellence upon the fresh start made by the company. Not long after came his first choreographies, which also helped confirm the innovatory energy of the re-fashioned Rambert, and since that time he has contributed largely to the fixing of the company's identity.

Reason indeed to thank him, though I do not feel that Tuesday's triple bill did full justice to his creativity. *Dancing Day* is thatched choreography, homespun in manner, and deeply sincere about peasant carollings, but it started as a work for students and is best left to them (two of the performers were, in fact, pupils at the Rambert School).

Ceremonies was created last year, with four couples moving from Elizabethan courtly behaviour to reveal the beast beneath the skin and the lusts of the flesh that make animals of the participants. There are hints, too, of *The Rite of Spring* in a final sacrificial section, but for all its sexual grapplings the dance looks decorous rather than orgiastic.

Bruce at his best, poetic and sure in his means, is happily to be found in the closing *Night with Waning Moon*. This uses George Crumb's setting of Lorca fragments for a capriccio about the *commedia dell'arte* characters. With superb design by Pamela Marre showing a dark colonnade beneath a starry sky, the cast in white or brilliant tatters, the dance hints at drama, at relationships, and matches the ravishingly spare sonorities of the score with movement no less allusively rich.

It is a fine work and finely danced by its cast, which included Ben Craft as Pierrot, Siobhan Stanley as Columbine, Mark Baldwin as the Captain, and Bruce Michelson as Pierrot. An excellent account of the score came from Doreen Walker with the Mercury Ensemble

Danish Ballet Festival/Copenhagen

Clement Crisp

After a lapse of nearly a decade, the Danish Ballet Festival has been restored, allowing visitors to Copenhagen a concentrated and happy immersion in the Royal Danish Ballet's repertory.

In a departure from tradition, the opening performances at the end of last week brought the Copenhagen debut of the Hamburg Ballet under its director, John Neumeier. Neumeier's ballets are already in the Royal Danish repertory; his *Romeo and Juliet* and the *Amleth*, on which I reported 18 months ago, are much admired. For the Festival we were offered two works, very different in style, which yet provide a by no means uncharacteristic portrait of his company: *The Lady of the Camellias* and the *Saint Matthew Passion*.

Camellias was made for the Stuttgart Ballet in 1978, and it develops the line of John Cranko's full-length studies of Marcia Haydée. Its *à la manière de* homage is, though, marked by Neumeier's taste for allusion and correspondences. Its structure, as we know from the Stuttgart Ballet's performances in London, is a theatrical conceit that tells Marguerite Gautier's story Chinese-box fashion. Starting from the outer shell of an auction of Marguerite's belongings after her death, it moves—box within flash-back box—to the tragedy of Armand's obsession with Marguerite and an interwoven comparison with the love of Des Grieux for Manon Lescaut.

It is a cunning structural exercise whose leisurely exposition sits with surprising rightness upon an accompaniment of Chopin piano works. Inevitably the piece stands or falls upon the quality of its two central characterisations. Haydée and Richard Cragun, in the original were all ardour and worldly gloss.

With the Hamburg troupe Colleen Scott seemed at first unemphatic, underplaying Marguerite as a divinity of the demi-monde. But her delicacy of means, which probes ever more skilfully as the action progresses into Marguerite's fever of body and spirit, paid final emotional rewards as we understood her view of the courtesan as a victim of society as well as of her own decency of feeling. And, because of the incandescence of Ivan Liska's Armand, as a young man of blazing Romantic temperament, and with Marguerite, unable to resist such ardour. Liska, indeed, dominated the action, sweeping like a whirlwind through each scene: he is a dance-actor whose external power comes from an inner fire.

The Hamburg dancers provided sound dramatic support, though their dance style did not seem sufficiently sophisticated to convince one that this was the finest theatrical hokum. They were far more impressive in the *Saint Matthew Passion*.

To provide a danced illustration to the entirety of Bach's Passion seems at first an action so arrogant that thunderbolts should be the only proper punishment for such hubris. But dance as illumination of both the scriptural narrative (which is the text sung by The Evangelist) and of the recitatives and arias given to soloists and chorus (which are meditations upon the gospel incidents) has certain parallels in the idea of Mystery Plays and even in the German musical tradition that produced the Passion.

Where Neumeier has been most theatrically deft is in the contrasts he has made between literal presentation of incidents (the mocking of Christ; the agony on the Cross; Judas' suicide) and freer choreography that feeds on the contemplative element in Bach's score.

Very apt is the visual language of the staging. The dance area is surrounded by pitch darkness. The only properties are benches on which the cast sit, and which can form the Cross and a prison. The cast are white-clad—the women in shifts, the men in trousers and tunic tops. The movement is expressionistic in manner, studied in its simplicity, occasionally balletic (half the girls wear shoes, the others are barefoot; so, too, the men) and the dance relies upon images clearly sprung from the words, without seeming dutifully constrained to mimicry.

Dynamic crescendos are reserved for a few powerful incidents—as when the crowd shouts for Barabbas to be released to them—but much of the writing relies upon soloists and small ensembles, who bring absolute conviction to Neumeier's sometimes shocking but always logical inventions. On Sunday night, when the Passion was given at the Royal Theatre, the role of Christ was taken by Anders Hellström in a performance impossible to fault. Quietness, physical dignity and a refined beauty, extreme concentration and control, marked this interpretation, extraordinary in its purity and communicative directness. Opposed to his radiant simplicity was Ivan Liska's Judas, no less commendable in its despair, and ideally matched in projection.

Of course, Bach's music (in a dramatically bright and specially recorded performance under Günther Jena, with Peter Schreier leading the soloists) so dominates our perceptions that movement may seem an act of supererogation. Yet Neumeier's vision compels respect. It recalls in its physical immediacy the religious paintings of Stanley Spencer, and is no less sincere.

During the Festival, which continues throughout this week, the Royal Danish Ballet is showing some of the best of its current repertory. Bournonville represents the glories of the past; the possibilities for the future were rather less convincingly on view in an evening of new choreographers by Erling Eliasson, Jan Thomsen, Anette Abildgaard and Warren Spears. Apart from Eliasson's neatly made *Sextet* to some Shostakovich piano duets, the offerings seemed to me unworthy of display outside a workshop. They made fine dancers look foolish.

Jonny spielt auf/Teatro Massimo, Palermo

William Weaver

Palermo's Teatro Massimo, performing temporarily in the less than happy setting of the Politeama Garibaldi while the historic house undergoes renovation, continues to present one of the most attractive and *stimulating seasons in Italy*.

Having inaugurated its operatic year with a revival of Respighi's rare *Semirama*, the Massimo has again made musical headlines with a splendidly conceived and executed production of Ernst Krenek's *Jonny spielt auf* (given in Italian translation).

Though the Krenek opera is surely better-known, at least as a title, to Italians, in the theatre here it is almost as unfamiliar as the Respighi. After a radio broadcast in 1958, *Jonny* was staged at the Florence Maggio musicale in 1963, and this production was seen also during the Florence season two years later. Then: silence.

I attended one of those long-*ago Florence performances*, but the memory is dim. I simply recall that the work made little impression. So I made the journey to Palermo more out of a sense of duty than with any real eagerness or curiosity. *This time, the impression* was quite different, however. While unready to proclaim *Jonny spielt auf* a masterpiece, I can attest to its vigour, skill, and charm. It is immensely enjoyable.

The enjoyment in Palermo was both visual and aural. The opera is hard to categorise: the marvellously absurd libretto (by Krenek himself) inspired a score in which all sorts of apparently contradictory elements—from jazz to operetta to Puccini and Richard Strauss—are imaginatively and effectively blended. The set-designer Emanuele Luzzati created a series of bright synthesised scenes, convincingly portraying such things as a singing glacier, a *homicidal locomotive*, a practical automobile. Santuzza Cali's costumes also managed to be both good-looking and a bit caricatural.

Filippo Crivelli, who has not only considerable opera experience but also a knowledge of intellectual cabaret, was fortunate in having a strong cast; and he used them well, never allowing the singers to mug, while encouraging them to move—even dance—with a free grace.

If you adhere strictly to a tally of the bars he has to sing, Jonny is not really the protagonist of the work (it has *none*); but with *his infectious* verve and his great musicality. Bruce Hubbard, in this title-role, seemed to inspire, to energise the whole performance. The warm, supple baritone voice was matched by enthusiastic high spirits. Dancing, clowning, singing, he was, throughout, the complete artist.

Jan Caley was Max, the composer: a bright, high tenor of effective clarity. As anita, the singer, Fiorella Pediconi did full justice to the difficult soprano writing, with its melting lyrical phrases; and Silvia Baleani (Yvonne, the French maid and Jonny's girl-friend) also sang with confidence and incisiveness. Daniello, the virtuoso violinist, is meant to be irresistibly seductive. The baritone Kalin Topalov was not that (unless you have a penchant for wooden acting); but he was vocally correct and did nothing to mar the success of the evening.

Much of that success was due to the young Swiss conductor Karl Martin, who relished the quirkish score, punctuated by muted trumpets, banjo, and other eccentricities; but Martin also *maintained a good pace*, while allowing the singers to phrase comfortably. The text was not always clearly enunciated (though Mr Hubbard's words were almost unfailingly intelligible), but the fun came through all the same. The Palermo orchestra and chorus (carefully prepared by Mario Tarini) were in admirable fettle.

Portraits

There was a telephonic confusion which changed the title of William Douglas-Home's play *Portraits*, and suggested that director John Dexter was also the author.

B.A.Y.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Exhibitions

May 15–21

NEW YORK

Metropolitan Museum: 48 key Impressionist and Post-Impressionist works from the Courtauld Collection tour America, including works by Cézanne, Manet, Renoir, Seurat and Gauguin. Ends June 21.

WASHINGTON

Hirshhorn: 30 paintings from the permanent collection trace the use of bridges as symbols of modernity and the past in works by Thomas Eakins, Winslow Homer, Raphael Soyer and Louis Lozowick among others. Ends May 24.

CHICAGO

Art Institute: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs shows the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends June 28.

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

TOKYO

Jonathan Borofsky: 61 works from the unconventional young New York artist in an integrated show of installations, painting, sculpture, light, sound and movement. Two famous pieces, The Man with a Briefcase and Hammering Men, are included. The latter, juxtaposed against a humane Japanese Goddess of Mercy statue, makes an ironical comment on local culture. Male Aggression and Maidenform Woman parody American pop culture. Tokyo Metropolitan Art Museum, Ueno Park. Ends June 7. Closed Mon.

ITALY

Venice: Palazzo Grassi: The Arcimboldo effect: a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Arcimboldo. Much appreciated in his own lifetime for his extraordinary composite portraits, in which the features of the sitter would be composed of the tools of his trade. – Pots, pans and vegetables for the cook (which turned upside-down becomes merely a still-life) or books for the librarian. – Arcimboldo spent most of his working life outside Italy, in the service of three Hapsburg emperors. Included is his arresting portrait of Rudolf II as the Etruscan god Vertumno, made up of fruit, vegetables and ears of corn. The exhibition contains works by Arcimboldo's predecessors, such as Leonardo, Durer and [illegible], as well as those of artists active in the early years of the 20th century. It attempts to draw links – some obvious (Dali, de Chirico, Man Ray and Duchamp). Ends May 31.

SPAIN

Madrid. Diego Rivera. A retrospective of the 20th century top exponent of Mexican art, this show offers an ample collection of his works, including a film with his fresco murals, 100 oil and tempera paintings, 110 book illustrations. Centro de Arte Reina Sofia, Santa Isabel 52. Ends June 7.

PARIS

Berthe Morisot: More than 40 oils, pastels, watercolours, crayons and sculptures retrace the development of the woman painter who, influenced at first by Corot, became a friend of the impressionists and took part in their first exhibition. Galerie Waring Hopkins, Alain Thomas, 2 rue Miromesnil (42655105). Opened all days except Sundays and lunchtime. Ends June 27.

NETHERLANDS

Amsterdam, Nieuwe Kerk. World Press Photo exhibition. Ends May 24.

Saleroom/Susan Moore

Sackville silver sells

The Trustees of the Knole Estates are selling the family silver—or at least some of it. Some 80 lots of Sackville silver, described as surplus to requirements, were sold yesterday at Christie's for £708,598 (1 per cent bought in). Christie's South Kensington had dispersed £38,480-worth of less important pieces on Monday. The spectacular Carolean and Regency silver will, however, remain in the house and on view to visitors.

As expected, the most coveted lot proved to be four George III silver-gilt wine-coolers made by the great Paul Storr in 1813, and applied with festoons of vine tendrils and ram's-mask handles. They went to an anonymous purchaser for £220,000 (estimate £100-£150,000). A large George II circular pierced bread basket, by Thomas Farren, 1725, tripled its lower estimate, going to London dealer Jacques Koopman for £66,000. Engraved with the Royal Arms, it was probably part of the official plate of the 1st Duke of Dorset, Lord Lieutenant of Ireland.

Of the (incomplete) ambassadorial service the third Duke acquired for his Paris embassy in 1784 the most spectacular pieces were two pairs of two-handled circular soup tureens, again with *rams-mask handles*, made by William Pitts in 1782 and 1783. Probably as a tribute to French taste they were modelled on pieces made by goldsmith Robert-Joseph Auguste in around 1770. Both lots went to Koopman, for £52,800 and £39,600.

A further Crown connection is marked by a silver-gilt tray with basket-work sides, given by George III to his godson, George Frederick Sackville 10 years after his birth in 1803. Made by John Pitts or Joseph Preedy, it soared to £41,800. A pair of rare George IV parcel-gilt candlesticks with applied swans proved even more successful, going for £28,600 (estimate £5-8,000).

Part II of the T. Y. Chao Private and Family Trust Collections of Chinese ceramics and jade was sold at Sotheby's in Hong Kong on Tuesday for a total of £14,814,927, with only three per cent bought in. Part I had set a number of records and this sale proved true to form with £863,076 being paid for an early Ming underglazed-red vase, a world record for a Chinese ceramic.

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Calling a spade a shovel

CITICORP'S DECISION to raise its bad debt provision against sovereign loans to developing countries to a quarter of its portfolio is a notable step towards realism. It may still be some way short of calling a spade a spade; many of the bankers involved will admit—unattributably—that only an optimist would expect to recover three-quarters of the sums which have been advanced, and the secondary market in developing country debt applies a larger average discount.

All the same, Citicorp is at least a long stride nearer to reality than most competing US banks, or for that matter London banks. It is a typically aggressive move, and some banks will find it a painful task to match it, as the stock market quickly recognised yesterday.

Painful or not, every advance towards realism is to be welcomed; for it is only now, when the banks are collectively approaching the position where they can absorb their true losses without disruption, that realistic solutions to the debt crisis can be discussed.

Large hole

It may well be that the case-by-case approach through rescheduling was adopted in the hope that the borrowers faced what was only a liquidity problem, and could meet their obligations, given time. The reality of commodity gluts and developed country protectionism has stifled this hope. The borrowers can only pay their way if they are given some real relief.

Most banks will unfortunately find it a great deal harder than Citicorp to position themselves for a realistic restructuring. Many American banks will find that such a balance sheet transfer makes an unacceptably large hole in shareholders funds.

British banks, which work under different supervisory rules, may find that such provisioning will leave them short of the official standards of capital adequacy (under existing US rules, primary capital is only reduced when losses are actually written off, rather than when provision is made). Japanese banks, which are in any case short of primary capital by international standards, will find themselves in a double bind if they try to match Citicorp's standards of realism, while the Bank of Japan strives to move towards convergent international standards of prudential control.

For all these reasons, there must be a very uncomfortable and possibly protracted balance sheet adjustment before the system can move on to the next stage, consolidation. Consolidation of nominally short-term lending into long-term or irredeemable bonds on tolerable terms has always been the desirable end of the debt saga.

Painful share

The fact that even now the banks are barely able to confront the losses involved only confirms that the whole laborious process of recent years has been buying time for the banks to some purpose, even though this has given no real relief to the borrowers.

Governments, which will have to bear a painful share of the losses through reduced tax revenues in the next few years, cannot just sit and suffer in silence. The members of the Paris club, who have shown a generous realism in rescheduling official claims—most recently with Argentina—must now prepare themselves to help with the consolidation of commercial debt.

This may involve direct guarantees of the bonds which will replace the loans, or the provision of capital for international bodies to do the same job; and it will also involve direct or indirect help with the process of target-setting and monitoring which will no doubt be a condition of any such guarantees.

"Securitisation," the fashionable word in the markets, is altogether too slick a description of what is likely to be a laborious and fairly costly search for an acceptable solution. Citicorp, in blunt words and fairly demanding deeds, has opened this last chapter, and all credit to it. Even Citicorp, though, will probably find that more will be demanded of it before the closing sentence is written.

A misdirected energy policy

THE LENGTHY paper on energy policy which Britain's Labour Party published as a codicil to its manifesto yesterday raises several important and neglected questions, but begs even more.

It rightly points out that Britain's good fortune in producing nearly 25 per cent more energy than it consumes will not last. As present reserves of North Sea oil run down, the country is likely to become a net importer of energy, perhaps within 10 years, and it would be wise to give some thought to the consequences.

Labour can also point to considerable confusion and inconsistency in the Thatcher government's attitude to energy policies. It proclaimed the virtue of market forces, the need to reduce state invention and the folly of central planning. In practice it compromised. It hung on to control over trade in North Sea gas, rejected proposals for privatising British Gas in a way which *would increase competition*, is actively trying to maximise British jobs in the North Sea, and has protected British Coal against the full impact of lower world energy prices.

These compromises reflect a deeper dilemma for all Western governments. The desire to give market forces full rein runs up against a powerful cartel in the oil industry, natural monopolies in gas and electricity, protectionism in the oil equipment and power engineering sectors, and above all in emotional drive towards national self sufficiency. All this gives rise to political uncertainties which make it difficult for private capital markets to take the very long view that is needed in the energy sector.

Fiscal incentives

Yet Labour's argument for more intervention, subsidies and price controls is thin and unconvincing. In the North Sea, for example, it is anxious to ensure that every last drop of oil is extracted from existing fields and from the smaller fields now waiting for development. Even with oil at $20 a barrel, much of this oil is uneconomic to produce. Since the Conservative government has already abolished oil taxes on marginal fields, Labour's plan to "introduce fiscal incentives" would in practice mean handing subsidies to highly profitable multinationals like Shell and Exxon.

In a period of low oil prices, the tax burden on new developments needed to be eased and there may be a few sensible concessions yet to be made, but there is no case for a subsidy. It would be better to leave the oil in the ground and to use the money in a more competitive part of the economy.

The proposal to revive a national oil company is also muddled—a fossil from a bygone period. Since all the large North Sea fields have probably been discovered, a national company could hardly obtain a foothold in the area without major acquisitions, most likely by re-nationalising Britoil or Enterprise Oil. It is hard to see what purpose this could serve except to change them into conduits for pouring money into uneconomic wells.

Strategic necessity

The suggestion that "security of supply" agreements are needed with oil companies is an even more bizarre throwback, since oil companies are now falling over each other to supply every corner of the market. Similarly Labour's pledge to shield gas consumers from the effect of rising North Sea gas costs is hardly the best way of achieving its sensible objective of reducing the growth of consumption and imports.

For all that, the party is right to emphasise the dangers of complacency. Oil prices will rise again, perhaps when Britain is heavily dependent on imports. Energy conservation is a strategic and economic necessity and the suggested direct grants to pensioners, the poor and the public sector could prove a good use of national resources.

The same cannot be said of Labour's uncritical acceptance of the coal lobby's expansionary demands *without any constraint* from world markets. Expensive coal may provide jobs for miners but it will destroy jobs elsewhere in the economy by pushing up electricity costs. Similarly, existing nuclear power plants are an *important* national resource which a job-creating government could ill afford to throw aside. Some of the party's leaders know this. It is a pity they dare not say so.

CITICORP AND THE DEBT CRISIS

An expensive path for other banks to take

By William Hall in New York and David Lascelles in London

THE SHOCKED reaction of the financial markets yesterday to news of Citicorp's sudden $3bn provision for Third World debt shows how fragile confidence in the banking system remains, even now, five years after the crisis started.

Inevitably, the sight of the US's largest bank reversing its earlier reluctance to sacrifice profits for the sake of a stronger balance sheet has triggered fears of renewed turmoil on the debt front.

However, a more cool-headed response to Citicorp's dramatic action may well evolve from the welcome it received among other bankers and banking supervisors yesterday. In these quarters, it was widely described as an exemplary step by Mr John Reed, Citicorp's 48-year-old chairman, to bring realism to the debt problem, and soften the intransigeance which many banks, Citicorp among them, have shown in the past.

Even if all this means that Citicorp shareholders are $3bn the poorer today, the group as a whole is better placed to absorb whatever shocks lie ahead, and consider novel solutions. The questions now are whether other banks can afford to follow that example, and if they do, how quickly that brings resolution ofthe debt crisis any closer.

Citicorp had planned its move with some care. Last Friday night it sent each Citicorp director more than 200 pages of information to prepare them for Tuesday's board meeting at Citicorp's Park Avenue headquarters in mid-town Manhattan. Several of its senior country officers were flown to Miami on Monday to await the outcome of the board's decision.

Assuming that the board backed the proposal, they were instructed to hand deliver a personal letter from Mr Reed to the presidents of Brazil, Mexico, Argentina, the Philippines and Venezuela at 5.00 pm New York City time on Tuesday. The letters were delivered after Citicorp's board unanimously supported Mr Reed's plan effectively to reduce by a quarter the value of the bank's $14.8bn sovereign debt exposure.

The plan is particularly striking coming as it does from a bank whose former chairman, Mr Walter Wriston, was famous for arguing that since countries never go bankrupt there was no pressing need for banks to protect themselves against loss. That was not an argument that Mr Reed accepted, and since taking over in 1984 he has been building up reserves, a policy which he indicated during a recent visit to London that eh intended to pursue, even at the expense of hurting the bank's profit record.

The reasons behind the timing of the move are less clear but appear to reflect the abandonment in the last few months of Citicorp's hopes that key borrowers such as Brazil would find their own way out of the debt morass.

As a former senior Citicorp executive commented yesterday: "This puts another nail in the coffin of Wriston's argument."

The key measure of success will be seen in Citicorp's share price over the coming months

But Mr Wriston was not alone in taking this view. Partly, no doubt, because of the example he was setting but also because of the strong pressure to maintain steady earnings growth, US banks are among the least well cushioned against Third World debt loss. On average, it is estimated, their reserves amount to less than 5 per cent of their loan exposure.

By contrast, many Continental banks such as the Swiss, the French and the Germans have provided to the tune of 20 or 30 per cent for large sovereign borrowers, and have written off some smaller ones entirely. Their motive is not solely prudence: many banking authorities mandate provisions, and in countries like France where the banks are state-owned, profit considerations take second place to provisions. Tax, accounting practices and other factors also play a role.

Attention now focuses on the condition of other big players in the US financial community such as BankAmerica and Manufacturers Hanover Corporation which have large exposures to the troubled Third World countries but are less well capitalised than Citicorp which, before this week, had about $15bn in capital.

Bankers said yesterday that the performance of these banks in the world's stock markets and money markets would be monitored very closely over the next few days.

Standard and Poor's, one of the two leading US credit rating agencies which reaffirmed Citicorp's debt ratings, described the move as "a positive response to a deteriorating situation" but warned that "strains created by such reserve actions may permanently weaken lower rated entities with mediocre fundamentals."

IBCA, the London bank credit rating firm, estimated yesterday that it would cost severall banks their entire projected 1987 earnings to raise their provisions to Citicorp levels at one go. (See table).

One senior foreign banker based in New York described Citicorp's action as a "sane and sensible move" and said that it is merely recognising what the stock market has been saying for several months: that the value of the sovereign debt of the big US money centre banks is between 25 per cent and 50 per cent less than is carried in their books.

The immediate response of the major US banks has been muted. J. P. Morgan, which has traditionally been the best capitalised of all the money centre banks and is relatively less exposed to the Third World debt problem than its peers, declined to comment on Citicorp's action. But privately Morgan executives indicated that they would be watching the reaction of the financial markets over the next few days and had been spending a lot of time running through "what if" scenarios.

J. P. Morgan could easily match Citicorp's move and unlike Citicorp it would not have to wipe a third off its shareholders' equity. However other banks are less able to afford a similar sort of house cleaning of their balance sheets. Bank America, the second biggest banking group which has been buffeted by huge loan losses over the past couple of years, has indicated that it does not plan to increase its loan loss reserve of 3.16 per cent of total loans, which before the Citicorp announcement was the highest of any major US bank.

In a prepared statement, BankAmerica said that its reserves are "appropriate for the asset mix in its overall portfolio. We are aware of no developments which would produce a need for adjustments to this reserve."

Mr Reed went to some lengths to stress at a crowded press conference on Tuesday that Citicorp's action, which will result in far and away the biggest quarterly banking loss in US history, was not trying to set a standard for the US banking industry.

"This is very much a Citicorp decision. It reflects the realities that we have a very specific and very large commitment to all of these developing countries. We are the biggest bank in the Philippines, one of the most significant financial institutions in Brazil, a large and significant factor in Argentina, the largest foreign bank in Mexico and we have a significant presence in Venezuela," said Mr Reed.

"Our situation makes it particularly important for us to be in a position of leadership and we felt, frankly, that it was important to us to be appropriately reserved," said Mr Reed.

The bolstering of the loan loss reserve is designed to give Citicorp maximum flexibility to undertake the second key element in its strategy—the liquidation of a substantial part of its $15bn Third World debt exposure through debt/equity swaps, asset sales and other measures. Citicorp stresses that the action does not reflect any reduction in its commitment to help troubled Third World borrowers. Indeed, its board of directors passed a resolution to this effect on Tuesday, but it is clear that Citicorp wants to insulate its sovereign debt problem so that it can focus its attentions on the growth of its core banking businesses.

The key measure of whether Mr Reed succeeds in his gamble will be seen in Citicorp's share price over the coming months.

Citicorp's action also poses a dilemma for British banks, whose reserving levels have tended to be on the low side, and it was significant that the Bank of England took the opportunity yesterday of pointing up the need to bolster them.

Hardest pressed will be Midland Bank which has £3.6bn out to Brazil, Mexico and Argentina, but whose capital position following losses suffered through its temporary ownership of Crocker National Bank in California, is not the strongest of the clearers. Sir Kit McMahon, the bank's new chairman and former governor of the Bank of England, ordered a special £160m provision in March against Third World debt. But it was calculated by bank analysts at Greenwell Montagu, Midland's independent stockbroking subsidiary yesterday, that a further £600m will be needed to match Citicorp's new reserving levels. The comparable figures for the other big clearers are Lloyds £500m, and NatWest and Barclays £300m each.

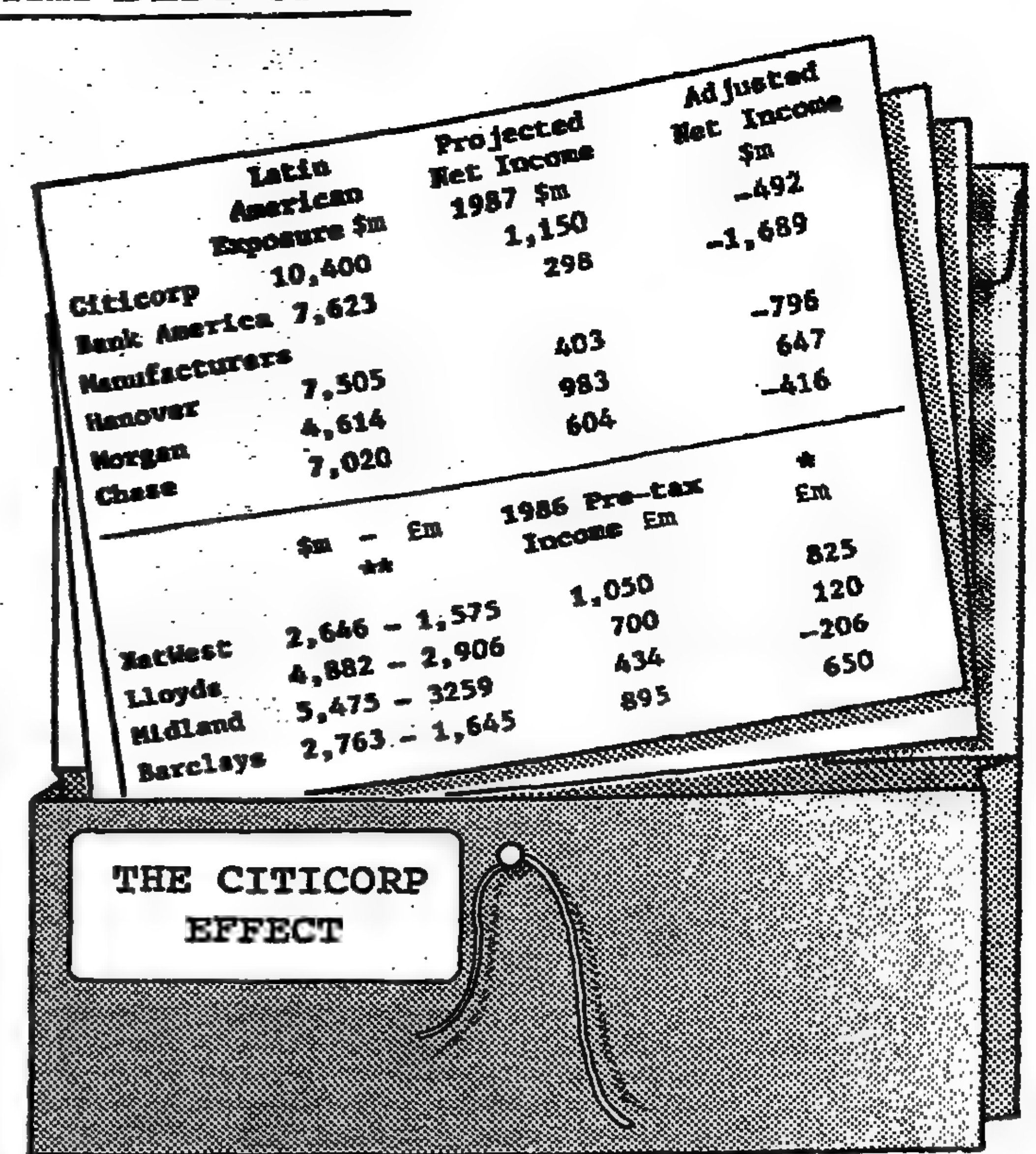
If British bankers do respond to these new pressures, the effects will probably become visible when they announce their interim results next July. Yesterday they were unwilling to speculate on how they might act.

Many banks, however, in the US and elsewhere will lack the resources to match Citicorp, and this could lead to some less welcome consequences. It would accelerate a split between banks with high and low reserves, further straining the unity which bankers need to push through the complicated loan rescheduling packages to prevent the debt problem getting worse.

For their part, the borrowing countries will be quick to argue that as their loan get written down by the banks, so their obligation to repay is reduced as well. Banks will fight this tooth and nail (Citicorp was careful to stress this week that it had not actually written down loans), so the effect of Citicorp's move could actually be to increase tension between the banks and their country creditors, at least in the short term.

In the longer run, it will obviously be helpful in resolving the crisis if the banks feel more confident about their ability to swallow losses. Those banks who can write down loans will also be better placed to sell them off in the secondary market where Brazilian assets, for example, are now trading at 60 cents on the dollar. This might even help start a junk bond market in Third World debt to tap new and more speculative sources of investment.

Although this would not provide the countries with new money, it would enable banks to clear their balance sheets of long term debt and consider different ways of funding the Third World's needs.



	Latin American Exposure $m	Projected Net Income 1987 $m	Adjusted Net Income $m
Citicorp	10,400	1,150	-492
Bank America	7,623	298	-1,689
Manufacturers Hanover	7,505	403	-796
Morgan	4,614	983	647
Chase	7,020	604	-416

	$m - £m **	1986 Pre-tax Income £m	* £m
NatWest	2,646 - 1,575	1,050	825
Lloyds	4,882 - 2,906	700	120
Midland	5,475 - 3259	434	-206
Barclays	2,763 - 1,645	895	650

* Assuming in case of Barclays and NatWest additional 15 per cent reserve. Assuming in case of Lloyds and Midland addition 20 per cent reserve
** Four major borrowers: Mexico, Brazil, Argentina, Venezuela

Source: IBCA

Fiji's stubborn bankers

UNTIL last week the managers of Fiji's five commercial banks had three busy days each month—two government employee pay days, and one joint meeting of the island state's Association of Banks.

The military coup, and its aftermath, have changed all that writes *Chris Sherwell, the FT's* man covering the emergency.

Heavy withdrawals of deposits were followed by the new regime ordering a total bank closure last Monday.

They reopened on Tuesday *to handle record volumes of* business, as depositors, most of them from the Indian community, streamed in to withdraw their savings, mostly in cash.

As the government-owned National Bank of Fiji withdrawals of up to 20,000 Fiji dollars were not uncommon, and at one stage the Reserve Bank had to be called upon for funds.

Three branches of the bank had to be closed temporarily after anonymous telephone callers threatened to blow up the premises if they were not closed. Other branches had armed soldiers strutting through the banking halls.

Because of exchange control regulations the Fiji dollar did not come under any pressure. But those who took currency out of the country and tried to change it abroad found it impossible to get a realistic exchange rate.

The ending of the coup on Tuesday night meant business slackened yesterday. In Suva everything ground to a halt after rampaging Fijian gangs roamed the capital beating Indians, smashing cars, and looting shops.

For the bankers, however, the most delicate moment came when, with the military's attempted suspension of the constitution, the banks were told by the new regime that the Reserve Bank no longer existed and that the Governor, Savanaca Siwatibau, was suspended from his post.

At that point a story of courage began to unfold. Sitwatiban, who is highly respected by the banking community, and had taken the news of the take-over badly, decided to stand his ground.

At the same time the banks, with equal resolution, refused to recognise the new regime, spurned all requests for advice on how to run a banking system, and insisted on the continued operation and backing of the Reserve Bank.

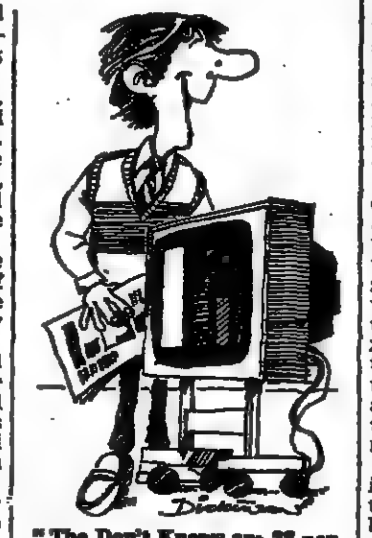
Against the banks' advice, the regime ordered the closure of the banks pending the outcome of a meetin gwith the ministry *of finance*.

That meeting was attended by the Reserve Bank Governor—and the banks both refused to recognise Peter Stinson as minister of finance, and said they woul dnot work under an illegal system.

By that time it was clear that the regime wanted the banks to reopen in order to create an impression of normality. The banks in turn insisted that the regime, having ordered the closure against their advice, should also announce the reopening.

By nightfall Tuesday it was becoming clear that the banking system, the Reserve Bank, and its governor, had come through their immediate ordeal safely—although civil unrest still clouds predictions about the future.

Men and Matters



"The Don't Knows are 28 per cent ahead in the polls"

Artistic spirits

A strong suspicion that Japan's whisky war has spilled over into the concert hall is growing among Tokyo's music lovers.

Next week's visit of the soprano Kathleen Battle, to sing at Tokyo's new showpiece concert hall, owned by the drinks company Suntory, had been anticipated as the climax of a celebratory series of concerts marking the opening of the hall.

Suddenly, contrary to all expectations, the venue has been changed.

She will now perform in the out-of-the-way Hitomi Hall—an apparent casualty of the local whisky war.

For Kathleen Battle, alas, is associated with Suntory's competitor, Nikka, following her appearances in Japanese TV commercials singing the praises of the rival brand.

Austin-bound

If any proof were needed that the semiconductor industry is one of the most international in the world, consider the career of Peter van Cuylenburg.

In the last 13 years of working for Texas Instruments, the Dallas-based company which invented the pocket calculator, he has changed jobs six times, including two moves to Europe, and two to the US.

Van Cuylenburg's latest shift of scenery will take him from Bedford, where he has been *managing director of the Texas* British operations for the last two years, to Austin, Texas.

In his new post, he will be in charge of the group's artificial intelligence unit, a job that makes him one of the higest-placed Europeans ever in the US company. It puts him on a similar sort of level to that achieved by Robb Wilmot, the former ICL boss who was hired from Texas to pull the British computer group out of trouble.

As head of Texas British operations, van Cuylenburg, aged 39, has established a reputation as an articulate executive in an industry which is not short of managers with strong views. He will be moving to the US at a time when Texas results have shown a distinct turn for the better after a tough period of losses in 1985, and when the European industry is also demonstrating renewed vitality.

On the question of Europe, he is strongly enthusiastic about the recent merger, which brought together the semiconductor interests of Thomson of France and SGS of Italy, saying that it is "strategically and conceptually right."

But he adds that the deal — partly orchestrated by one of his old Texas colleagues, Jacques Noels of Thomson — will be difficult to execute.

Price of a meal

The Confederation of British Industry is unrelenting in its pressure upon Chancellor Lawson for lower interest rates. David Nickson, the bosses' president, returned to the attack when sitting by him at the CBI dinner.

Recalling that when Lawson had turned up for a CBI lunch recently he had owned to doing his bit that very morning towards shaving off ½ per cent, Nickson challenged, "Surely a full-blown CBI dinner should be worth twice that . . ."

Observer

THURSDAY BOOK REVIEW

The Funding of Political Parties

By Keith Ewing

CUP : £19.50

UP TO £20m is likely to be spent by Britain's political parties during the election campaign. This is small beer by US standards — about enough for a tight Senate race—but sufficient in British eyes to provoke a continuing debate about the influence of money on elections.

A common view is that the Tories have an unfair edge; that they are able to raise vast amounts of money which is then used by Saatchi and Saatchi to win over floating voters.

The Tories certainly enjoy an advantage, spending centrally nearly as much as the other two parties combined in the 1983 campaign, according to Mr Michael Pinto-Duschinsky, a leading analyst of political finances. But during the last campaign Tory support fell by four percentage points, as did Labour's, while the rating of the Alliance, which was outspent two-to-one by the Tories, advanced by eight points.

The answer, as Ivor Crewe, Professor of Government at Essex University, has pointed out, is that "in the absence of US-style television commercials (paid for by parties and banned in Britain), the Conservatives' financial superiority is largely squandered on press and poster advertising, whose impact on the vote is minuscule."

What matters is the equality of time given to parties during the campaign on news and current affairs programmes and on party election broadcasts, which cost relatively little.

Money may be more important in the pre-election period. For instance, the Alliance's concentration of resources on target seats paid-off in the May 7 local elections when it achieved above average increases in votes in those places.

But, if, nationally, money probably matters rather less than is commonly supposed, there are still questions about the present system. Should more be disclosed about sources of party finance and should there be a reduction in the reliance of the Tories and Labour on corporate donations and trade union affiliation fees respectively?

Mr Keith Ewing, a Cambridge law don, believes the present system is unfair. Writing from the perspective of a constitutional lawyer, he argues in *The Funding of Political Parties in Britain* that "unlike many other jurisdictions, including the US and Canada, where corporations and trade unions are governed by identical rules, in Britain company political donations are for all practical purposes unregulated by law, while trade union political expenditure is subject to detailed and restrictive legislation." There is not even the check of controls on central campaign spending.

Mr Ewing concludes that the system operates "disproportionately to the advantage of the Conservative Party." He notes that there are minimal requirements on companies to consult their shareholders and virtually none at all on parties to disclose sources of funding.

Consequently, Mr Ewing proposes full disclosure by the parties of the sources of their funds; the regulation of company donations to give shareholders and employees rights comparable to those enjoyed by trade union members; the extension of public funding to include direct grants to parties on an annual basis on a formula related to votes cast in the previous general election; the extension of spending controls to the campaign expenditures of the political parties as well as their candidates; and perhaps subsidies to introduce greater balance in press views.

This package, which matches much Labour Party thinking on the subject, is a mixed bag. There are strong arguments for greater disclosure and consultation, but considerable objections of both principle and practicality to controls on campaign spending and press subsidies. A more immediate priority is a tidying-up of the law on spending by national parties on locally targeted advertising and direct mail, as well as a lifting of the low maximum limits on local candidate spending. These average between £5,250 and £5,750 and encourage "creative accounting" especially in by-elections.

The issue of state funding is not clearcut. The principle that it is desirable to maintain an effective opposition is already accepted since parties receive money for their parliamentary operations. However, grants based on votes cast, as suggested by Mr Ewing and the Houghton inquiry into political finance in 1976, are the wrong route since they would not encourage parties to broaden their bases by increasing membership or seeking individual donations.

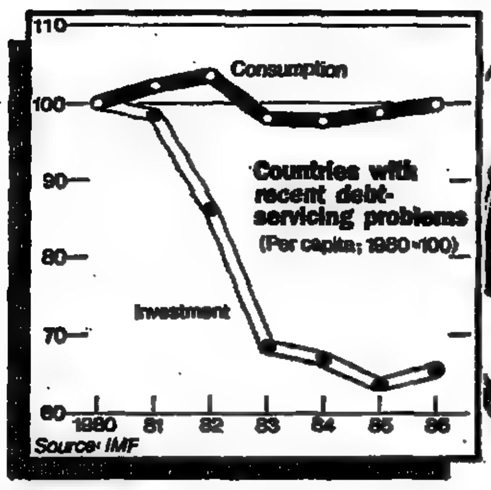
A better answer might be the proposal of a Hansard Society report in 1981 that, subject to a limited overall limit, the state should match individual donations up to a maximum of £2 a head.

However, this argument, and some of Mr Ewing's worries, may be made out-of-date by the direct mail revolution going on in British politics. The Social Democratic Party and, to a lesser extent the Tories and Labour are now deriving a sizeable proportion of their funds from regular appeals to members and sympathisers as well as from "cold" shots to people on commercial mailing lists. This is broadening the base of funding in a more democratic way and may make the parties less dependent on major institutional donors.

Peter Riddell

Banks face the facts at last

Anatole Kaletsky says Citicorp's Third World debt decision is a potential watershed



Countries with Recent Debt-Servicing Problems
(% of exports of goods and services)

	1982	1983	1984	1985	1986
Total debt service	43.5	46.8	53.5	58.2	61.0
Actual debt service payments	39.9	35.5	35.5	34.3	37.6
Rescheduled debt service*	3.0	10.4	16.8	22.3	20.4
IMF charges and repayments	0.6	0.9	1.2	1.6	3.0

*estimates; includes rescheduling of amortisation of some short-term debt.
Source: IMF

TUESDAY may have marked the beginning of an entirely new—and possibly a final—chapter in the protracted Third World debt saga.

Since 1982, hundreds of proposals have been put forward for alleviating the Third World's debt burden. But all of them have foundered on two principles, imposed by bankers and political authorities in the creditor countries. The first insisted that any restructuring of the international debt nexus must impose no costs or losses on the banks. The second maintained that the traditional "case by case" approach to debt rescheduling, under IMF supervision, was both a necessary and sufficient condition to re-establish Third World countries' creditworthiness and, eventually, return them to voluntary borrowing on the international markets.

The historic significance of Citicorp's decision to provide for up to $3bn (£1.8bn) in Third World credit losses is that it undercuts both principles. Thus it potentially removes what have become the most important obstacles to any permanent resolution of the debt problem.

Citicorp has not, of course, simply given up on $3bn of the debts owed to it by Third World governments. Nor has it turned its back on the system of debt rescheduling and new lending, which has been orchestrated by the IMF since 1982 and is being conducted now under the guise of the Baker Plan.

But what Mr John Reed, the bank's chairman, has done is to state explicitly that alternative approaches must be considered, even if they involve substantial credit losses to Citicorp and, by implication, to all the other international banks. "The debt problem will be with us into the 1990s and we see nothing in the global economy that would enable these countries to get out of their situation," he said on Tuesday.

"We want to be in a position to trade out and reliquefy our loan portfolio. In the next two to three years we will engage in debt-equity swaps, debt sales and other approaches. The effect will be to take charges against the new reserves."

Having thus rejected the principle that banks must not be forced to recognise any losses on their sovereign lending, Mr Reed then went further. It was a misconception that losses on swaps or other types of debt conversions would necessarily mark a break in a country's relationship with the international banking community, or cut it off from new lending in the future.

"A loss on a debt-equity swap would have no impact on our advancing new money to a country that adopted sound growth-oriented policies," he said.

Many bankers might describe such statements as nothing more than a recognition of business realities—banks in Europe and Japan have been establishing large reserves for years to cover the losses on debt sales, swaps and restructurings. But to the US banks, and Citicorp in particular, any public admission that losses might ultimately be recognised in debt restructuring has been anathema.

The real significance of Citicorp's action therefore lies not so much in the sum of money—equivalent to 20 per cent of its total Third World exposure—which has been set aside to meet possible loan losses; rather it lies in the new negotiating frameworks which can be established, taking as given the banks' ability and willingness to make sizeable concessions to the debtors.

Among the approaches on which negotiations could now focus within the new structure are those which Mr Reed has explicitly commended: debt-equity swaps and secondary market trading in loans. The recent negotiations between the Philippines and its commercial bankers, in which the Government proposed converting part of its interest payments into equity-linked notes, could well be reopened in the coming months as a result of Citicorp's announcement.

But to make any real inroads into the debt problem, more radical devices will probably also need to be used. The most obvious, discussed for many years, is some form of securitisation of Third World lending with World Bank, IMF or Western government guarantees.

While proposals for converting Third World bank debts into long-term marketable bonds have previously been rejected as politically and financially unrealistic, this conclusion has been based on the assumption that the banks would not be prepared to take substantial loan losses in exchange for Western government or World Bank guarantees. That assumption has been invalidated.

But are Western governments and banks really prepared to recognise the need to restructure the whole Third World debt relationship and probably to make concessions to the debtor countries? Or is Citicorp's action merely an exercise in public relations and negotiating bluster?

The evidence from the world economy suggests that fundamental reforms are likely to be necessary and bankers like Mr Reed are finally beginning to recognise it. "The global economy is less robust today than was expected when the present approach was devised in 1982; trade figures in the debtor countries were less strong than we believed they would be," Mr Reed said on Tuesday, giving the background for his decision to establish the new reserves.

The background

CITICORP'S decision to boost its loan loss reserves occurs against a backdrop of deteriorating creditworthiness in the Third World.

The total debt of developing countries (to governments as well as banks) now exceeds a staggering $1 trillion.

The debt has risen faster than the debtors' exports of goods and services, meaning that their capacity to service it has deteriorated. According to recent IMF estimates, the ratio of debts to exports in countries with servicing difficulties rose to 302 per cent last year compared with 242 per cent in 1982.

IMF figures also illustrate the extent to which a succession of short-term rescheduling agreements has postponed rather than solved the underlying problems. In 1986, rescheduled debt service payments amounted to almost half of actual debt service payments and were worth more than 20 per cent of debtors' annual exports.

Their repayment problems have been exacerbated by a decline in commodity prices unparalleled since the Second World War. Prices have halved in real terms since the late 1970s and are at their lowest point since the 1930s.

Debtors have also had to contend with sluggish growth in the industrialised world. The growth rate has halved since 1984 and, at marginally above 2 per cent a year, is well below the 3-3½ per cent generally thought essential if the strongest debtors are to have a chance of trading their way out of difficulty.

The drying up of new loans in recent years and the continued obligation on the debtors to service the overhang of old debt have resulted in an unprecedented transfer of resources from the poor south to the rich north. In 1986, repayments on old debt exceeded new inflows by some $30bn.

For Latin America, the negative annual net resource transfer since 1982 has been equivalent to about 4 per cent of gross national product (GNP) or a quarter of domestic savings. By contrast, West German reparation payments after the First World War were only about 2½ per cent of GNP.

Extraction of resources at this rate has undermined the debtors' long-term growth prospects because it has led to a collapse of investment. Per capita capital formation has declined by about 35 per cent since 1980, partly because Third World entrepreneurs fear that the returns on new projects will have to be heavily taxed.

The combination of deteriorating debt ratios and slowing growth in both the developed and developing world is forcing a reassessment of strategies to cope with the debt crisis. It seems highly likely that write-offs by the banks will in time be matched by explicit debt relief for the worst hit debtors.

Citicorp has effectively declared that the true value of its Third World loans is much below their book value. The debtors will be tempted to agree and demand that their interest repayments be scaled down accordingly.

Michael Prowse

Letters to the Editor

Not a free market

From Dr R. Hudson.

Sir, — Your feature on "Banbury and north Oxfordshire—very model of self-help" (May 12) made very interesting reading. It claimed that Banbury was booming and about to boom even more as it was "about to take advantage of its natural geographic advantages." It then transpired that these asserted "natural" advantages in fact were a product of a planned £250m public investment programme in new motorway connections. What's "natural" about such public expenditure decisions? Obviously, the answer to this question is "nothing." They self-evidently reflect political choices.

In a way, however, this particular case does no more than reflect a wider trend to attribute economic growth in the south east to a thriving enterprise culture in a free market economy and its absence elsewhere to the absence of such an environment. Yet as the case of Banbury shows, such growth is heavily underpinned by public expenditure in (inter-alia) transport infrastructure as the Government pours public money into airports and roads in the south east. Were such expenditures to be made in regions such as the north east, these too would no doubt experience boom conditions. In contrast, however, their fate is to suffer severe cuts in public expenditure as a result of policies towards industries such as coal, steel and shipbuilding.

Seen in this perspective, the north-south divide owes a lot more to deliberate political choices over public expenditure than it does to "natural" locational advantages working their way through a freely competitive market economy.

(Dr) R. Hudson,
Science Laboratories,
University of Durham,
South Road, Durham.

Not wanting to work

From Mr J. Rothwell

Sir,—The figures quoted by Professor R. Layard and Mr A. Clark (May 19) are revealing, but draw me to a different conclusion. In June 1979, some 21.6 per cent of the population of working age (GB) were "not wanting to work." In April 1987, the percentage was approximately the same, 21.5 per cent. What happened in between these dates was that work became harder to find, and it was easier to draw unemployment benefit without running the risk of being found work. The restart programme and recent Government instructions to benefit offices appear to have restored the "not wanting to work" percentage to its pre-Thatcher (and correct?) level.

J. G. Rothwell.
Rothwell McGarva and Co.
131 Old Birmingham Road,
Bromsgrove, Worcs.

Responsibility in investment

From Mr K. Wallace

Sir,—I have been finding it difficult to reconcile two recent issues on the fiduciary investments scene.

First we have had David Walker, for the Bank of England, urging investors to take more interest in the companies in which they invest. Charges of short termism fill the air.

Then we have financial service regulation — overdue perhaps—but under the Act pension scheme trustees have to be "authorised" in order to be able to take day to day decisions affecting their pension schemes investments if they are not to be guilty of a criminal offence.

No-one knows how many pension schemes are affected. Their numbers are certainly growing fast, as any pension professional will tell you. More and more schemes are switching away from using life offices towards the "self administration" of their finances, and the threshold (in the number of members) below which such a change makes economic sense is reducing all the time. Let us say there are 50,000 of them. As a group they own half the equities traded in London.

To be authorised under the Financial Services Act these pension schemes will have to become members of IMRO at a minimum cost of £1,500. Many—to judge from their response to a similar measure, the Data Protection Act—will decline to do so and accept that all investment questions for their scheme will have to be entrusted exclusively to their investment advisers.

So what has happened, at a stroke? 45,000 investors (say) will have been precluded from taking any stance on their investments.

The company secretary in Galashiels, the union official in Taunton or the foreman in Wrexham may—in their fiduciary role as trustees of a pension scheme—have strong and constructive views as to whether sacking this management or accepting or rejecting that opportunist bid will be in their own members' best long term financial interest.

But if they are tempted to give expression to their opinion, they will be sharply told that by statute "day to day" decisions are for their appointed investment managers alone.

In consequence the modifying influence on a frothy market of large numbers of dispassionate and responsible investors—unconnected with City interests—but owning half of all equities, will be lost.

Short termism will not be discouraged. Investor responsibility will be eroded.

Keith Wallace.
Richards Butler,
5, Clifton St, EC2.

Industrial logic

From Mr G. Simon

Sir,—In writing about the Tesco/Hillards takeover (May 16) Lex commented that although it was understandable that the chairman of Hillards was upset about the behaviour of the institutions "the industrial logic of Tesco's bid was impeccable."

In the same issue however Anthony Harris reviewed the study made by Professor Colin Meyer, the Price Waterhouse professor of corporate finance at the City University. This study dwells on the behaviour of Japanese institutions which is entirely different from that of the UK institutions. The Japanese institutions seem to offer a committed and supportive long term relationship whereas the Pru in its recent annual report makes it clear that "at some price a bid can be too attractive for us properly to reject it."

It would be interesting to know what Lex thinks of this contrasting behaviour.

G. M. Simon.
Manor House,
Aston Magna,
Nr Moreton-in-Marsh,
Glos.

Exchange rate stability

From Mr D. Dale

Sir,—Mr Grantham (May 11) makes valid points about the management of our exchange rate since 1979 and seeks political revenge. Mr Grey (May 13) would be satisfied with some political penance and a promise to join the EMS.

I am concerned that we understand the effects of changes in the exchange rate and avoid a cure that would be worse than the disease. The pound must move over time to reflect the relative changes in our performance as a producer of goods and services when compared with other countries. It is because this did not happen that the pound was over-valued and we suffered the dire consequences listed by Mr Grantham. Even the mighty dollar has in the end fallen, in recognition of the vast imbalance of US foreign trade. This should have happened much sooner, but is the only way in which the exchange market can help the US to pull back to sound business — by making her exports cheaper and imports dearer.

If the British economy fails to compete, the pound must fall further to preserve our industry and employment. This purifying action by the market would be severely hindered if we joined the EMS.

Unfortunately much of the dealing in currencies is for quick profit and is unrelated to the market's function in foreign trade. This "hot money" floods across frontiers and causes greatly exaggerated swings in currency values. Insofar as the EMS acts as a damper to reduce short-term fluctuations, it is doing a useful job. What is really needed is the imposition of friction against violent short-term movements without preventing necessary long-term adjustments. This effect could be produced by something like a heavy stamp duty on short-term dealings.

Until we have such an international control system, we must jealously guard our freedom of action to manage our own exchange rate, and keep clear of the EMS.

Douglas H. Dale.
97 Hilderstone Road,
Meir Heath, Stoke-on-Trent.

Consulting actuaries

From Mr R. Waddingham

Sir,—The secretary of the Association of Consulting Actuaries (May 16) misunderstands the nature of the independence of the advice given by actuaries. All consulting actuaries, whether they rent their working capital from their bankers or from shareholders, are responsible to the Institute of Actuaries. Their debt is to their profession.

It cannot be sensible that the ACA now represents only half of the UK's consulting actuaries. In particular the four largest firms of international consulting actuaries are excluded.

The ACA would best regain its strength if it moved in step with the institute. The International Association of Consulting Actuaries, in which ACA members play an active part, has long since abolished the distinction between employed and self-employed actuaries.

At a time when liaison with government departments on pension matters has never been so important, how much better for clients if all consulting actuaries would pull together. Until then, the majority of employers will receive actuarial advice from non-members of the ACA.

R. A. J. Waddingham,
2 Long Park,
Chesham Bois, Bucks.

FINANCIAL TIMES

Thursday May 21 1987

WHITE HOUSE SAYS GROUND CONTROLLER LACKED AUTHORITY DURING IRAQI ATTACK

US 'asked Saudis to intercept'

US OFFICIALS asked that Saudi Arabian fighters intercept the Iraqi aircraft which attacked the US warship, the Stark, on Sunday, but the Saudi ground controller did not have authority to follow the request, the White House said yesterday.

Mr Martin Fitzwater, the White House spokesman, said that, before authority had been received, the Iraq aircraft had returned to base.

Mr Fitzwater said two Saudi F-15s had scrambled from Dahrein just before the missile attack by an Iraqi Mirage jet, on orders to fly a combat patrol mission over the Saudi coast.

Once it was clear that the Stark had been attacked, a US Awacs (Airborne Warning and Control System) aircraft and the Saudi controller aboard asked the Saudi sector command centre at Dahrein for authority to order the Saudi F-15s to intercept the Iraqi F-1 Mirage with the intention of forcing it down on Saudi territory, he said.

"The Saudi chief controller on the ground advised that he did not have authority to order such action and immediately sought approval from higher authority. Before such approval could be obtained the Iraqi aircraft was well on its way back to its base," Mr Fitzwater said.

Thirty-seven US crewmen died in the attack, and their bodies are being returned to the US for burial. The Stark is tied up in Bahrain, and an assessment of the damage is under way.

The strike on the Stark was the first attack on a US warship in the Gulf since the Iran-Iraq war erupted in September 1980.

More than 300 ships, mostly tankers, have been hit by both Iran and Iraq in the Gulf this year.

The so-called tanker war broke out three years ago as Iraq sought to cut off Iran's oil exports, vital to Tehran to finance its war machine.

Iran recently has stepped up attacks on vessels associated with Kuwait in retaliation for the support given to Iraq by the northern Gulf emirate.

The Stark's captain was yesterday asked whether his ship had previous radio contact with the belligerents in the Gulf war.

He said Stark had spent most of its time in the southern Gulf, where they had frequent radio contact with Iranian aircraft. The Iranians had always responded to radio challenges and stayed out of the general vicinity of the warship.

Meanwhile in London Mr Lev Mendelevich, head of the Soviet Foreign Ministry's evaluation and planning directorate, repeated Soviet warnings that the US naval presence in the Gulf was liable to lead to unpredictable events such as the attack on the Stark.

Mr Mendelevich called the seven-year-old Gulf conflict a senseless war which neither side could win.

Mr Mendelevich, visiting London for talks with British Foreign Office officials, said the attack on the Stark was "very dangerous and very unfortunate."

"We always warned the Americans that the increase of their military and their navy in the Persian Gulf could be detrimental to peace, because many unexpected events might occur," he said. Reuter

Rolls-Royce shares rise in hectic first-day trading

By Richard Tomkins in London

MORE THAN HALF the shares in Rolls-Royce, the newly privatised British aero-engine maker, changed hands in hectic first-day dealings yesterday as small investors rushed to take profits on the issue.

The shares, offered at a partly paid price of 85p each, opened at 128½p and gradually moved up during the day to close at a peak of 147p, representing a premium of 62p – or 73 per cent – to the offer price.

Observers were surprised by the size of the premium on an issue which was originally regarded as tightly priced. Comparisons with British Aerospace had led many City of London analysts to forecast a premium of 30p – 35p. However, the "grey" (unofficial) market price of 138½p on Monday afternoon proved a fairly reliable indicator.

The buying interest was said to have come partly from UK institutional investors, who had earlier had their portion of the offer cut back from 60 per cent to 50 per cent because of heavy public demand for the shares and partly from overseas investors, particularly in Japan.

Turnover at the end of the day was more than 420m shares compared with the 801m offered for sale. Since 50 per cent of the issue had been placed with the institutional investors, it was clear that public applicants were responsible for a high proportion of the selling.

The volume of traded options in Rolls-Royce shares helped produce a new record for the London traded options market. The 49,136 Rolls-Royce contracts took the market's total for the day to 116,195 compared with 101,214 on May 11.

The heavy trading in Rolls-Royce shares put further strains on the settlement departments of stockbrokers' offices, which have come under pressure because of recent big increases in trading levels.

The pressure is expected to continue today as more applicants receive their allotment letters and decide to cash in on the large premium.

The pattern of trading contrasted with other recent privatisation issues in which shares have gone to high initial premiums and eased back during the first day. British Airways opened at an 82 per cent premium, British Gas at 34 per cent and TSB (not technically a privatisation) at 100 per cent.

Foreign investors are limited to a maximum total holding of 15 per cent of Rolls-Royce's shares. So a question mark hangs over how long their buying interest will persist today.

Berisford and Grace in cocoa link talks

By Stefan Wagstyl in London

S&W BERISFORD, the British food and commodity trading group, and W. R. Grace, the US conglomerate, are discussing merging their cocoa-processing interests.

The deal would create one of the largest groups in the world in a fragmented industry which is undergoing rapid consolidation.

The processors, which turn cocoa beans into cocoa butter (for chocolate) and cocoa powder (for drinks and other uses), have been under increasing pressure from their main customers, the large international chocolate companies, led by Mars of the US and Nestlé of Switzerland.

The chocolate companies, which have been growing through acquisition in the 1980s, have been able to squeeze better terms from the processors while competition among processors has increased because cocoa-exporting countries in West Africa and elsewhere have been installing plants of their own and cocoa consumption has been rising only modestly.

Berisford and Grace together own five plants with a total capacity of some 180,000 tonnes, 10 per cent of the cocoa processed last year.

Berisford owns factories in the Netherlands and West Germany and Grace in the Netherlands, Singapore and the US.

Both companies said the talks about a possible "combination" were at an early stage and declined to discuss details. Berisford said the moves were in their "common interest."

They would not say who would control the merged cocoa businesses.

Cocoa market analysts said that the move looked like a defensive reaction to the power of the chocolate companies, which had not only grown in size, but had also increased their in-house processing capacity by buying independent companies.

Cocoa-processing accounts for a small (and unstated) part of each group's profits.

Berisford, which saw profits rise 180 per cent last year to £148m ($249m), recently had its proposed sale of British Sugar, its sugar refiner, to Ferruzzi, the Italian food group, blocked by the British Government on monopoly grounds. It is considering ways of cutting its £500m debt, nearly 50 per cent larger than shareholders' funds.

Grace is selling assets accounting for nearly half its $6.8bn 1986 turnover in order to concentrate on its core businesses of chemicals and natural resources.

Commodities, Page 30

Sabena pursues link with SAS

BY TIM DICKSON AND QUENTIN PEEL IN BRUSSELS

THE much mooted merger between Sabena and Scandinavian Airlines System (SAS) came a step closer yesterday when the Belgian national airline confirmed that it was actively pursuing the link.

Sabena said that its board of directors had "given the go-ahead for the eventual creation of a new airline based on the integration of the airline activity of both Sabena and SAS."

It added that "this does not include any other related activity" such as Sabena's hotels and catering operation.

Talks have been going on behind the scenes for many months, and although there have been some political reservations in the Scandinavian countries, the SAS management has already expressed its enthusiasm for such a deal. The co-operation agreement is thought likely to include not only joint operations but the joint procurement of new aircraft.

The negotiations come at a time when European airlines are increasingly facing up to the challenge provided by greater liberalisation of air transport. Many industry experts feel that larger groupings will be best placed to prosper in the new competitive environment.

Sabena, which is more than 50 per cent owned by the Belgian Government, has not yet disclosed its detailed results for 1986, but the pressures were evident from a statement in February. The company said that it had remained in profit in 1986 despite a downturn in traffic on the North Atlantic and a temporary loss of landing rights in Zaire, Belgium's former colony.

Yesterday's statement from Sabena rules out earlier suggestions that the merger might include non-airline activities such as hotels and catering.

Fijian troops quell violence

BY CHRIS SHERWELL IN SUVA

FIJI'S Governor General used emergency powers invoked after last Thursday's coup to order troops to quell ugly outbreaks of racial violence yesterday as the formation of an interim government was unexpectedly delayed.

The delay meant another day of fitful uncertainty for the South Pacific island state, which has been rocked by military intervention and its aftermath.

With the unprecedented violence exposing deep tensions between the ethnic Melanesian Fijians and the Indian community, concern over Fiji's fragility is intense both at home and abroad.

Ratu Sir Penaia Ganilau, the Governor General, urged people to "be calm and be patient." Lt Col Sitiveni Rabuka, who appears to retain a key position after leading the coup, also appealed for a halt to the violence.

The great Council of Chiefs, the most influential Melanesian body in Fiji, meanwhile adjourned its crucial meeting for a second day after discussing the Governor General's phased plan for a return to normality.

The plan was unveiled on Tuesday in the wake of Lt Col Rabuka's acceptance that executive authority lay with the Governor General.

It calls for a dissolution of parliament and fresh elections with a Council of Advisers to help in the interim and to consider constitutional changes.

Yesterday Dr Timoci Bavadra, the deposed Prime Minister, who was released from detention on Tuesday night, met the Governor General and withdrew his initial challenge to the plan.

He said he had "rethought" and now wished to take a conciliatory approach. His supporters indicated he would keep a low profile pending developments.

Appointments to the Council of Advisers are now likely today, after the Governor General, himself a chief, has attended the Council of Chiefs meeting, heard its resolution and explained its plans.

Yesterday's delay underlined concern that many chiefs are resisting the Governor General's plans, even though Fijians stand to gain more than Indians from its provisions. Either way, today's session of the council is critical.

As the council met in Suva, a rampaging gang of Fijians took to the streets, intimidating the public, beating up Indians, smashing car windows and threatening foreign journalists.

The police and army intervened, but the action prompted the closure of shops and banks, stopped Indians gathering for a pro-Bavadra rally and silenced the city.

There was another outbreak in the afternoon as a large group of Fijians roamed the streets. Reports of trouble in other parts of the country were hazy although it is known that many bank branches did not open.

The violence underscores the Governor General's dependence on the armed forces and the need for him to establish a clear line of authority.

Reacting to the violence, the British High Commission urged members of the local British community to stay indoors if civil disorder broke out and reminded people of other precautionary measures.

The New Zealand Government dispatched a second frigate to Fiji and indicated that New Zealanders should prepare to leave Fiji. The Australian Government stood by to take out 4,000 of its nationals.

Contra chief details Saudi aid

BY LIONEL BARBER IN WASHINGTON

MR ADOLFO CALERO, the former Coca-Cola plant manager turned Nicaraguan Contra rebel leader, appeared yesterday before the Irangate hearings on Capitol Hill and described himself as a "knight in democratic armour."

But Mr Calero was more a Crusader unhorsed as he faced a barrage of questions about his personal finances and his rebel movement, the FDN, whose troops number around 15,000 and are based in northern Central America.

In his testimony Mr Calero made clear that he was almost totally reliant on Saudi Arabia to fund his troops during the Congressional ban on official US military aid between the summer of 1984 and October 1986. The Saudis provided $32m out of total contributions to the FDN of $33.6m. He also made clear that he was very dependent on the sacked White House aide, Lt Col Oliver North. He said he had "full confidence" in Lt Col North and told him everything during 50 meetings over the period of the Congressional ban.

Mr Calero, who was jailed in 1978 for his opposition to the former dictator President Somoza, disclosed that he had given around $90,000 to Lt Col North in the spring of 1985.

"Well," he explained, "it was much easier, and there was less commission to pay." But Senator Howell Heflin, the Democrat from Alabama and former federal judge, pointed out that Mr Calero had taken out some $3m in travellers cheques. "This raised questions that corruption could have taken place," he said.

Mr Calero said he had "truckloads of invoices" in Central America. His counsel intervened and said that the committee could look at all the invoices and that offer had stood since last February.

In the Senate caucus room, a large board containing boxed diagrams on the FDN's accounting procedure provided a hand guide. Of $33.6m received, some $19m was spent on arms come from Eastern Europe, some $14m went on non-lethal aid such as jungle boots, food, medicine and uniforms. But some $5.5m is still unaccounted for.

Despite the occasional humourous aside, Mr Calero raised some important issues in his opening statement. "What is really on the scale," he said of the Contras fight against the Sandinista Government in Nicaragua, "is American resolve to stand by its friends, principles and policies."

Sandinistas launch attack, Page 4

He was asked why he and Lt Col North dealt in travellers cheques.

Shares fall in nervous markets

Continued from Page 1

ry bill rates late on Tuesday at the same time as bank Eurodollar deposits rose by ¼ point. Bill rates then steadied yesterday.

With bank stocks falling, prices for US bank issues of Eurodollar floating rate notes fell by as much as 2.5 per cent yesterday, before staging a partial recovery in the late afternoon.

One of Citicorp's own issues, maturing in 2011, was quoted around 93¾ yesterday afternoon, compared with a price of over 95 at Tuesday's close. British bank issues fell by as much as half a point.

Reflecting concern about the Citicorp move, major London dealers agreed to a substantial widening of the margins at which they were prepared to deal in US bank issues. Dealing spreads broadened to as much as ½ percentage point for longer-maturity notes, compared with 0.1 per cent on Tuesday.

Prices for perpetual floating rate notes, which have been recovering steadily since a market debacle in February, also fell by up to 2 per cent. These notes, issued by banks to bolster capital, have no final maturity.

In early European trading yesterday, dealers marked down prices for fixed-rate dollar bonds. Dollar Eurobonds were quoted up to 1½ points lower initially, but a steadying of the Treasury bond market in the US and a steadier dollar helped calm market jitters by late in the day.

On European currency markets, the dollar closed at DM 1.7745, below Tuesday's closing DM 1.7780 but above its low yesterday of DM 1.7670. It closed at Y139.80 compared with the previous close of Y140.00 and yesterday's early low of Y139.80.

World Weather

		°C	°F
Ajaccio	C	15	59
Algiers	C	21	70
Amsterdam	F	9	48
Athens	S	25	77
Bahrain	C	28	82
Bangkok	C	35	95
Barcelona	S	19	66
Beirut	C	25	77
Belfast	S	13	55
Belgrade	F	23	73
Berlin	F	12	54
Biarritz	F	16	61
Bombay	S	32	90
Bordeaux	F	17	63
Brussels	F	8	46
Budapest	C	19	66
B. Aires	C	17	62
Cairo	S	34	93
Cape Town	S	21	70
Caracas	n/a	n/a	n/a
Casablanca	S	22	72
Chicago	R	28	83
Cologne	C	9	48
Copenhagen	R	7	45
Corfu	S	22	72
Dallas	n/a	n/a	n/a
Dublin	F	14	57
Dubrovnik	S	18	68
Edinburgh	F	13	55
Faro	S	22	72
Florence	C	15	59
Frankfurt	F	16	60
Funchal	C	19	66
Geneva	C	11	52
Gibraltar	S	19	66
Glasgow	S	15	59
Guernsey	S	12	54
Helsinki	C	10	50
H. Kong	R	28	82
Innsbruck	C	12	54
Inverness	F	14	57
Islamabad	C	32	90
Istanbul	S	20	68
Jakarta	R	33	91
Jersey	S	15	59
Jo'burg	S	23	73
Lima	C	22	72
Lisbon	S	22	72
London	C	11	52
Los Angeles	C	19	66
Luxembourg	C	7	45
Madrid	S	19	66
Majorca	S	20	68
Malaga	S	20	68
Malta	C	21	70
Manchester	S	13	55
Manila	S	37	99
Melbourne	C	13	56
Mexico City	n/a	n/a	n/a
Miami	C	27	81
Milan	F	16	61
Montreal	S	17	63
Moscow	C	25	77
Munich	R	9	48
Nairobi	F	26	79
Naples	F	21	70
Nassau	S	30	86
New Delhi	S	38	100
New York	C	13	56
Nice	C	16	61
Nicosia	C	38	100
Oporto	S	24	75
Oslo	S	15	59
Paris	F	13	55
Peking	n/a	n/a	n/a
Prague	R	10	50
Reykjavik	C	9	48
Rhodes	F	22	72
Rio de J'o	n/a	n/a	n/a
Rome	R	16	61
Salzburg	R	11	52
San Francisco	C	17	63
Seoul	S	26	79
Singapore	C	30	86
Stockholm	F	12	54
Strasbourg	C	10	50
Sydney	C	17	63
Taipei	C	30	86
Tangier	S	25	77
Tel Aviv	S	27	81
Tenerife	S	23	73
Tokyo	S	26	79
Toronto	C	16	61
Tunis	S	24	75
Valencia	S	20	68
Venice	F	18	68
Vienna	R	12	54
Warsaw	S	18	64
Washington	n/a	n/a	n/a
Zurich	C	10	50

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

South African explosion kills three policemen

Continued from Page 1

"Afrikaners are not a mere minority but a separate community that is entitled to full political self-determination and will never be satisfied with anything less," he said.

Earlier, Mr Connie Mulder, who was expelled from Parliament in 1979 after allegedly lying about the illegal use of government funds to finance a secret propaganda effort, told foreign correspondents that the Conservative Party intended to abolish South Africa as presently constituted.

In its place it would create 13 separate nation states. One of these, possibly to be called Southland or the Free State, would be a state where only whites enjoyed political power.

This white state would deal with other black nations like the Xhosas and the Zulus as one sovereign state to another, as Britain dealt with France or Germany in the European Community, he said.

Black workers would have no political or trade union rights in the white state and would never be granted citizenship, he said.

THE LEX COLUMN

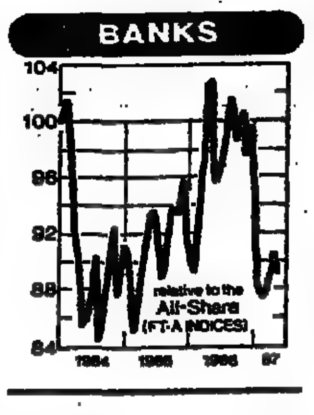
Only the rich can play

Friends of Citicorp see its bold strengthening of reserves against sovereign debt as more than a way to protect its own future profitability; the hope is that by reversing its long-term policy of under-reserving, Citicorp may also have set the stage for a constructive new approach to the entire debt problem. The bounce in Citicorp's own stock yesterday, when some other bank shares were tottering under the news, suggests that Citicorp is not as short of friends as its chronic underperformance might suggest.

Few of those friends are likely to be found in other banks, however, where Citicorp's demarche is more likely to be regarded as an outsize piece of cosmetic self-indulgence than a great stride towards the reconstruction of Third World debt. Even in the US, where banks can still treat loan loss reserves as primary capital, those banks that are most deeply enmeshed in non-accruing sovereign loans are the least able to follow Citicorp's lead. Manufacturers Hanover stock was not a strong market yesterday.

In London, where such provisions come straight out of shareholders' equity, bank shares were a sea of red ink. Without attempting any spurious precision, it was easy for all the City of London to see that the unfortunate Midland could stand to lose well over a year's earnings from the adoption of Citicorp criteria; that famous rights issue, so close to the front of the queue when the share price went through £7 the day before yesterday, has once more been made to look awfully diluting.

The gradualist school of rescheduling will take some convincing that Citicorp has done anything more than start a downward spiral in which loans are marked to a discount, borrowers turn nasty about paying even the reduced interest, and so on. But at least the threat of an interbank run on the most under-capitalised banks has not, as yet, been realised.



Rolls-Royce

The recent government offers for sale have a distinct pattern. A price is set which everyone, even those not involved in the issue, seems to agree is full and fair. Then the shares reach a terrific premium by the end of the first day's trading – 73 per cent in the case of the Rolls-Royce partly paid stock – and everyone agrees that the new higher price is right.

The rapid rise in the stock market from the time the price was struck to the moment of first dealings cannot be the main reason for the scale of the premium. If the vendors had indexed the part-paid offer price to the movement in the market, it would now be at 97p, instead of the actual market close of 147p – at which price Rolls-Royce is on a prospective multiple of 12, on a zero tax-charge much in line with the British Aerospace ranking.

Yesterday the Japanese were buying in force. They apparently like the fact that the US investor cannot buy for 90 days while there is a 15 per cent limit on foreign ownership of the shares. To be at the front of that queue the Japanese will need to be on the register, and for that they must have title to the shares fully paid. It so happens that the prospectus makes provision for early payment of September's second instalment. So in exchange for tying up some more capital, the Far Eastern investors may be able to crowd the Americans out of the stock altogether.

Brewers

Yesterday was not a good one for companies to draw attention to themselves, and both Bass and Whitbread shares fell faster than the market. Bass, whose interims gave little cause for disappointment, got off the lighter of the two, the shares falling 3½ per cent. But Whitbread, in any case the less popular share, dropped nearly 5¼ per cent after revealing only a 7.2 per cent gain in earnings per share. Though the market is in a bit of a state, it has not got quite so far as to prefer the so-called defensive stocks to the faster growing, riskier ones.

Neither company produced great excitement in its brewing business though each claimed a market share and could boast higher margins. The effect of even a little extra volume is such that a good summer on top of a favourable budget ought to be interesting. But brewing does not inspire much hope for even average earnings growth. For that the brewers' efforts at trend-spotting must succeed. While Whitbread's voting structure may award it the luxury of a long-term view, its wines and spirits investment in the US, already in the medium-term, has still to prove itself. It can be more enthusiastic about its retailing arm – which has the attraction of taking Whitbread into geographical parts not reached by its beer. And Bass's smaller leisure side is growing even faster. The brewers' discount, however, does not look like closing yet.

Coloroll

For those who have been puzzled (rather than merely dazzled) by Coloroll's rate of growth, the company yesterday turned its presentation into something akin to a revivalist meeting. It certainly communicated the aggression which has propelled the capitalisation from £50m to £350m in under a year.

While there is a danger that the surrounding applause may become too loud, there is no doubting the management's skill or the imagination with which it has carved out the "home fashion" niche. Also, while the highly rated paper has helped in the buying of earnings, there has been plenty of organic growth, most notably in wallcoverings, and the acquisitions have remained sensibly focused. However, Coloroll cannot escape the acquisition treadmill if it is to sustain 20 per cent earnings growth a year. And even if it regularly doubles margins, there will be a limit to the new paper the market will bear, especially as the acquisitions are becoming increasingly expensive. That makes an early sale of the Crown House engineering division crucial if the balance sheet is to be freed for a cash buy.

SECTION III

FINANCIAL TIMES

SURVEY

Thursday May 21 1987

Business Travel

Airlines, car hire companies, hotels and many other services are all competing fiercely to make life more comfortable for the executive on business trips. The reason, **David Churchill** explains, is that providing these services is now very big business

The executive calls the tune

BUSINESS TRAVELLERS are much in demand. Unlike their counterparts who travel on holiday, business travellers offer the airlines, hotels, car rental companies, and credit card operators a source of income that is growing steadily and is generally more consistent than the packaged holiday business.

Recognising their importance, therefore, the business travel industry is now determinedly wooing the business traveller to a degree far greater than ever before.

A decade ago, for example, separate accommodation for business travellers—away from the tourists and their annoying children—was almost unheard of. Now, it is the executives travelling business or first class who provide the cream on the profits for airlines and who are being wooed by such tactics as British Caledonian's door-to-door limousine service or Cathay Pacific's top-rated Marco Polo service, considered one of the best even by the high standards of Far Eastern carriers.

Hotels, moreover, who used to consider the independent traveller as their most valued customers have now faced the reality of having between two-thirds and three-quarters of their rooms filled on average each week by business travellers.

Now it is the business traveller who gets the express check-out after breakfast rather than waiting in long lines to pay his bill. It is the frequent business traveller, moreover, whom hotels now try to tempt back again and again through schemes such as Hyatts Gold Passport. This not only gives the business traveller extra services when staying in a Hyatt hotel, but also qualifies him for free holiday accommodation with his family.

It is not just the international traveller who is being wooed. British Rail, for example, has been courting the business traveller—who tends to pay closer to the stated ticket price for inter-city journeys than most private passengers—with a range of services, such as executive lounges and mobile phones available on trains.

The reason for this assiduous courting of the business traveller is simply the sheer size of expenditure on business travel in all its forms. The exact amount spent is difficult to quantify—given the difficulties of knowing exactly what to include—but several attempts have been made.

American Express which has a vested interest in knowing how much is being spent on business travel, carried out a major survey two years ago which put the total size of the market at £17.4bn. The company said yesterday that it did not believe this figure had altered significantly since then.

American Express's calculations suggested that £4.3bn each was spent on air fares and petrol, £4.2bn on accommodation and subsistence, £2.5bn on rail and car hire, and £2.1bn on entertaining.

These figures have been criticised in some quarters for being either too conservative or too high. But all agree that the market is a huge one.

Which is the key reason why the UK travel trade became so worried last year when it looked as if fears of terrorism would keep the imported US business traveller away from the UK.

In spite of the slump of up to 40 per cent in visitors from North America in the weeks immediately after the US bombing of Libya, the market had recovered well by the end of the year. Although a number of US visitors to UK conferences and exhibitions were lost, many individual business travellers were undeterred by the terrorism fears and more worried about losing business by not coming to Europe.

Even so, the Horwath & Horwath hotel industry analysts report that the average occupancy for UK hotels last year was some 3 per cent down on the 1985 level, with London hotels 7 per cent down. However, Mr Jonathan Bodlender, Horwath & Horwath's managing director believes that "the average room occupancy rate this year is likely to recover, barring any major economic down-turn or resumption of terrorist activities."

The UK conference and exhibition industry is particularly concerned that nothing happens to keep the US business travellers away this year. The buoyant demand for conference and exhibition facilities in the 1980s has prompted the industry to invest heavily in new facilities, with more on the way. Work has started, for example, on the new £107m Birmingham International Convention Centre.

Mr David Barrow, business travel manager for the British Tourist Authority, believes that conferences and exhibitions will "become a billion pound business by 1990." He warns, however, that the industry is becoming extremely competitive. "In the 1990s competition will be even fiercer as overseas visitors will be able to choose from a number of international shows in their own specialist field."

He urges airlines, hotels, and convention bureaux to work together to promote this facet of the whole business travel industry.

Although business travel has come to dominate the thoughts of the travel trade in the 1980s, it is still being given less attention by companies.

Mr Christopher Rodrigues, managing director of American Express's travel and entertainment management division, believes that many companies "still have to grasp the nettle of managing their business travel costs."

He points out that "it is not enough to decide what class of rail or travel an executive can use. Professional travel management includes the management of cash advances and developing specific management information systems."

His view is echoed by Mr Tony Grimshaw, managing director of Swan National Rentals who says that "many companies have an undisciplined and unstructured approach to travel, even though they are aware of the large amounts spent on business travel."

Mintel, the market research company, has carried out a survey of travel managers in UK companies which found that many companies paid lip-service to travel management. Six out of every 10 surveyed claimed to have a written business travel policy. The survey also revealed that while the majority of companies handled hotel and car hire bookings in-house, only one in 10 booked airline seats themselves.

This is partly a reflection of the relatively late attention paid to business travel by travel agents. In the 1970s, agents handled business travel in a very off-hand way; now it is the fastest growing part of the travel trade. Thomas Cook, which is the leading agent handling business travel, has some 6,000 business clients working through 79 specialist business travel centres.

As travel agents become more attuned to the business needs of companies, then more efficient control of the whole business travel operation is likely. One trend expected to continue is the policy of agents setting up operations within the offices of major client companies: Thomas Cook, for example, has 47 such inplants within companies.

While companies may be getting more professional in their handling of business travel, the industry itself is concerned at the rate of future growth in demand for its services.

The biggest worry is the fear of a world trade war breaking out between the US, Japan, and Europe which could lead to a world recession and a consequent slump in demand for airline and hotel services.

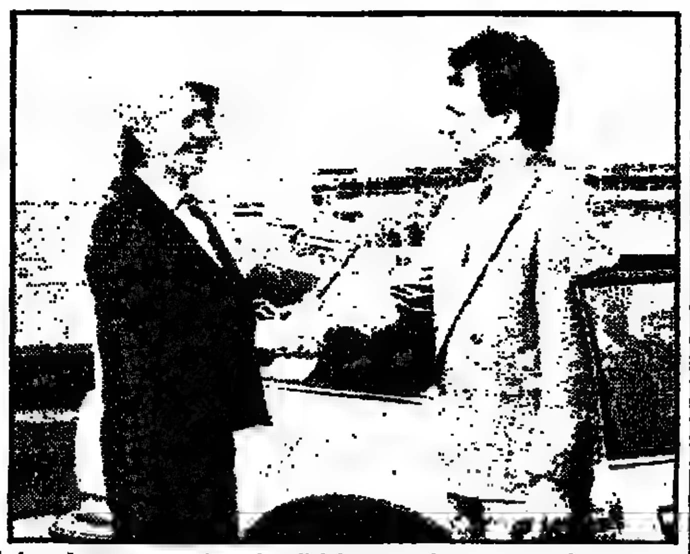
Even if no trade war materialises, a key factor determining where business travel growth is likely to be fastest is the exchange rates in different parts of the world. "To translate favourable terms of trade into actual trade involves incurring high travel costs—a difficult psychological step to take when one's own currency is depreciating but one which, nevertheless, has to be made," points out Mr Robert Cleverdon, author of the comprehensive report on international business travel published by the Economist Intelligence Unit.

The international hotel industry has clear views on where the growth is to be found over the next decade: Europe and the US. Major hotel chains—such as Regent International and the Mandarin Oriental Hotel Group—are eagerly searching for suitable sites in the US and Europe, with London especially the target for a new top business hotel.

Fears that international travel may one day become obsolete by the development of new technology—such as international conferences linked by satellite which would obviate the need for businessmen to meet in person—is not taken very seriously by most involved in business travel.

As the world economy grows more integrated, therefore, and the ability to travel becomes easier, the business traveller can look forward to at least another decade of being wooed and cosseted by a travel industry anxious to win and keep his or her custom.

BUSINESS TRAVEL 2



Mr Christopher Rodrigues, managing director of American Express UK's travel management service division says the true cost of travel and entertainment is too diverse for some companies to know. Right: Pickfords Business Travel's Meet and Greet service at Heathrow.

Controlling costs

How to tackle the expense cycle

TRAVELLING ON business—with all the related expenditure involved—is by no means cheap. Total expenditure by UK companies is now approaching £20bn a year, according to some estimates, and can be a major part of the discretionary expenses incurred by a company.

Yet few British companies appear concerned at this. Surveys have shown that fewer than four out of every 10 companies have a written travel expense policy, and most consider it an insignificant item.

"Companies which would fight to the last drop of blood to get a good deal on a new photocopier are cheerfully tossing away thousands of pounds because they fail to get to grips with simple fundamental issues like 'who can spend how much and on what'," points out Mr Christopher Rodrigues, managing director of American Express UK's travel management services division.

Many companies will claim that such a situation does not apply to them. Yet these are the very ones which have a fragmented and inconsistent policy which probably costs more in executive time seeking to outwit the system than it saves in any badly-applied cost control system.

For example, some companies apply a blanket policy of economy-only flights or second-class rail fares. This may save a few pounds in the short term, but usually leaves executives so disgruntled and exhausted that more is lost than gained. And any psychological benefits are lost by the chief executive more often than not ignoring the rules laid down for the rest of the company.

The initial step in any travel expense system is to identify exactly what costs are being incurred. Direct costs are those which can be easily identified—such as airline tickets, hotel bills, and car hire. But there are also hidden costs such as cash advances, chasing up overdue expense claims, and cheque processing. American Express estimates that, according to its research, there are some £780m of outstanding cash advances to employees in the UK corporate system.

"It is because the true costs of travel and entertainment are so diverse and that information is rarely held in any one place, that companies invariably do not know exactly how much they are spending," adds Mr Rodrigues.

This position is often made worse by the fact that a number of different people may have responsibility for travel plans—ranging from the secretary who always books hotels through to the executive drawing foreign currency from the company cashier and then claiming expenses on his return.

American Express's help to companies in controlling costs is based on what Mr Rodrigues calls the expense cycle. This covers planning travel; policy objectives; arrangements; the trip itself, payment; expenses; reviewing the cost; and reconciliation.

"The system also needs to take into consideration both the direct and indirect costs if effective savings are to be made which will have a real impact on the bottom line of the company's balance sheet," he adds.

One major business travel cost which many companies have already come to terms with is the cost of fuel. There are a number of specialist charge cards now in operation which can be used at nominated petrol stations.

The Overdrive fuel card is one of the leading corporate fuel cards operated by Harpur Holdings, a company whose major shareholders include Prudential Assurance and the Wells Fargo Bank. Harpur also operates the separate Esso charge-card.

Together these cards account for almost a third of the corporate fuel card market and sales through them have increased from £7m a year in 1982 to over £120m at present.

Harpur's computing systems are all in-house, enabling it to provide clients with a complete cost analysis within one statement, the location of purchase, and analysis of VAT by product category.

The company is next month planning to launch a special "Business Travelcard" which will cover the whole range of business travel expenses, from airlines to hotels and car rental.

Mr David Elias, Harpur's managing director, maintains that this card is aimed firmly at helping companies control their costs and is not a perk for employees. "We have absolutely no interest in providing special benefits for the business travellers," he says. "Our objective is to provide specific management information covering the whole area of travel related expenses and thereby provide cost savings to the companies for whom they work."

Moreover, Mr Elias is critical of those credit card companies "who pander to business travellers in order to induce them to use their products." But he admits that as the new Business Travel card works to control costs incurred by employees "it is for this reason that we expect a great deal of user resistance initially."

But, he adds, "we used this approach in the fuel card market with our Overdrive card and this system now not only works successfully but is also in demand from senior company financial decision makers."

Hotels are also keen to give help to corporate users of their services in controlling costs. Thistle Hotels, for example, has a scheme for business executives, called Trumpcard, which allows a company to monitor and control hotel expenditure by offering different payment systems and for allowing different levels of employees to use them.

Yet whatever system is adopted to control expenses, companies should bear in mind that there are unquantifiable costs incurred when a travel policy becomes too rigid.

"The enforcement of an effective travel and entertainment expense system has more to do with efficient accounting and administration than with heavy-handed restrictions on your employees' activities, which are more often than not counter-productive," points out Mr Rodrigues.

David Churchill

Travel Agents

Competing for the best deals for companies

NOT SURPRISINGLY business travel is one of the most important areas for travel agents. Last year, for example, travel business worth some £3.2bn was booked through agents specialising in business travel.

Although competition is fierce for companies' travel business, the rewards for agents can be considerably greater than selling package tour holidays to mass consumers. Companies, for example, will usually be prepared to pay more for their travel—Club Class instead of economy—and the business is less subject to seasonal fluctuations.

Yet the key problem facing travel agents is persuading companies to take it seriously—the benefits to be gained from using specialist business travel agents as part of a coherent travel policy can be considerable.

Not surprisingly, therefore, the business travel agency market is a fragmented one. On one hand, there are the small and long-established independent agencies—often descendants of old City shipping offices—while on the other there are the big three multiples—Thomas Cook, Hogg Robinson, and Pickfords Business Travel.

In between are a number of medium-sized agencies with substantial interests in business travel, as well as companies such as the AA and American Express which also have large, business travel operations. New, specialist independents such as The Travel Company have also emerged in recent years.

Thomas Cook, part of the Midland Bank group, is the market leader for business travel in the UK. It has more than 6,000 clients and a UK turnover of £250m working through 79 specialist business travel centres and 47 "implants" inside key companies. All this is backed up by Thomas Cook's 1,500 travel offices in 144 countries.

Although it has been the UK's leading travel agency since 1840, it is only in the past decade that Thomas Cook has really developed its business travel operations—a reflection on the industry has grown only relatively recently.

Hogg Robinson Travel is a division of the major transport, insurance and financial services group. It handles over £175m worth of business for 1,700 companies, including some 24 top multinationals each placing at least £1m worth of business a year.

Pickfords Business Travel, part of the National Freight Corporation, moved into the number three spot last year with the acquisition of Lunn Poly's business travel operations. *It now has 9,000 corporate* accounts, including over 50 "blue-chip" clients.

The AA has been in business travel since 1970 but only opened its first specialist business travel office in 1981 as the demand for business travel services began to take off. American Express has seven specialist *business centres and 29* implants inside companies. It likens itself to a specialist boutique rather than a chain-store operation—offering tailor-made services.

All these companies, and many others, are members of the Guild of Business Travel Agents. The guild's members *are responsible for about 70 per* cent of all UK business travel bookings.

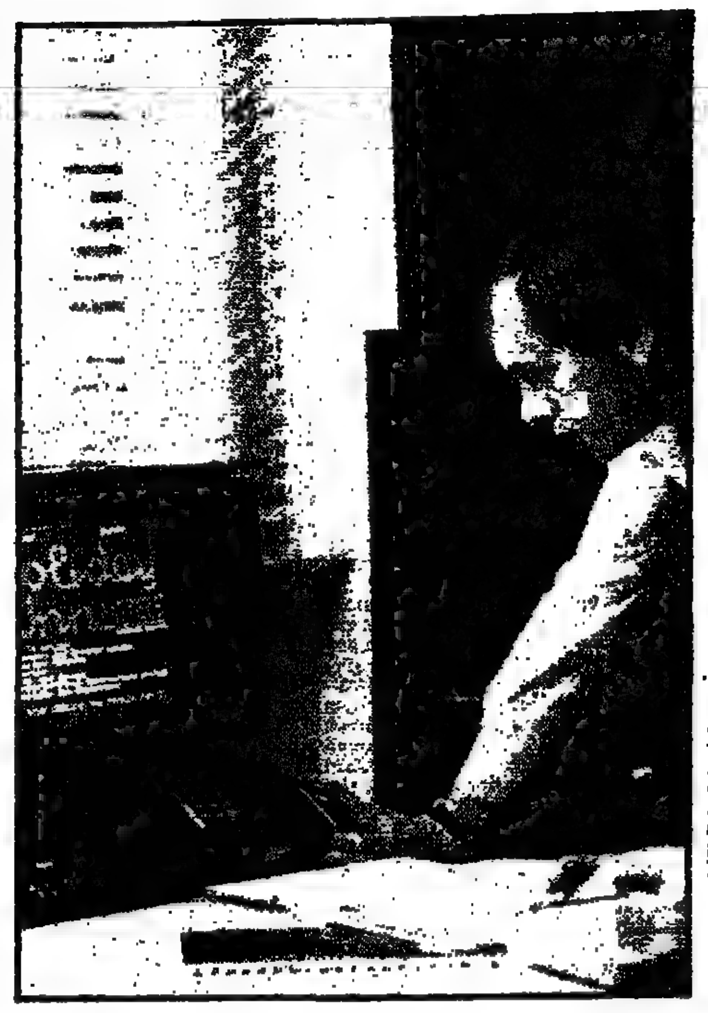
With the competition for corporate accounts, business travel agents are seeking to improve their competitive edge through service as much as discounts.

Pickfords, for example, operates a "meet and greet" service at Heathrow and Gatwick airports.

Under this scheme, the company's control centre at Heathrow receives advance notification of company chairmen and senior executives travelling with Pickfords. Before the business traveller's arrival at the check-in desk, Pickford's staff will confirm the passenger's seat with the airline.

If a connecting flight is late or delayed, moreover, the Pickford's representative will make new arrangements on the spot to get the executive to his or her destination.

Pickfords says that the "experience of our representatives at Heathrow can make the difference between an airline agreeing to hang on to that seat for a late arriving passenger, long after the deadline, or selling it to someone else."



Travel agents are often able to arrange the best terms for hotel bookings

Travel agencies prefer to compete on service and getting the best airfares and hotel deals, rather than just offering bulk discounts based on the volume of business. Mintel, the research company which has studied the business travel market, points out that "an efficient travel agent can make genuine cost savings for corporate clients by plotting the best way through the labyrinth of international air fares, which is worth more to the client than quantity discounting as such."

In the US, where business travel is a much larger part of the travel scene, many travel agents belong to a consortium which brings the benefits of large-scale operation but enables them to retain their independence. The largest consortium is Woodside Management Systems, of which Hogg Robinson is a member.

The advantages offered by membership of these consortia are their ability to offer lower rates on hotels and airlines to clients, as well as participation in world-wide computer booking systems.

Perhaps the biggest development in the next few years will be the further growth of implants into companies. Setting up a business travel operation within a major client enables the agent not only to be more efficient in terms of time and resources but also allows them to understand more fully the quirks and opportunities unique to each company.

David Churchill

BUSINESS TRAVEL 3

Airlines

Providing a touch of class

RARELY HAS the business traveller been wooed so assiduously as he is today, as the airlines battle for his custom through heavy advertising campaigns in newspapers, magazines and on TV, as well as through direct mailing to both company and private addresses.

Behind this vigorous approach lies the increasing recognition that with the substantially higher fares that he pays compared with the plethora of discounted rates available to the leisure travellers, the business traveller is the golden goose of civil aviation, not only because he is travelling in increasing numbers, but also because the pressures being placed upon airlines by governments and consumer groups to reduce even further the cheaper fares levels are wreaking havoc with revenue yields.

For business travellers are becoming not only more fastidious in an era of increasingly congested air travel, but also more voluble in expressing their views about what they get, and more significantly, what they want.

A recent survey of over 17,500 international scheduled air travellers conducted by European Data & Research showed that international air travel is still very much the preserve of the businessman—with as many as three out of four of all passengers being men, of which some 85 per cent were travelling on some kind of business.

Moreover, despite reports of a downturn in US travel to Europe, because of the weakness of the dollar, a high proportion of the business travellers sampled were US originating, indicating that while US tourist may not be coming to Europe, their business counterparts certainly are.

The survey also threw up some other significant indications of the habits of business travellers. As many as one in three sampled were renting a car, over 90 per cent of them with one of the big five car rental chains.

Most of those who had used a rented car had been reasonably satisfied with it, but the degree of satisfaction was found to vary from country to country considerably.

But travellers' satisfaction with their hotels was at a lower level than with car rental. The major hotel chains were found to be rated higher than other hotels in each country, the best-rated hotels being those in Germany, France and Switzerland.

So far as airports were concerned, passengers were reasonably satisfied with most airport services, although restaurants were criticised significantly more often than any other airport facility.

The survey also probed passengers' reasons for selecting a particular airline. Most of them had played some part in actually choosing the airline, although this varied from almost 90 per cent on some routes (eg UK-Australia) to only 60 to 70 per cent on most European routes.

There were also considerable differences from airline to airline in the degree to which passengers had been influenced by such factors as the arrival and departure times of their flights (indicating that an airline can win or lose business by inconvenient flight scheduling), travel agents recommendations, costs, frequent-flyer club membership, the airline's reputation for food, service, and inflight comfort and so on.

What the survey showed, in short, was that what the average traveller, and particularly the business traveller, wants most of all in order of importance is convenience of departure/arrival times and good service on board, including the quality of seating (especially important on long-haul flights but less important on short flights). Low fares are not given as a prime reason for flying with a particular airline (largely because for the average business passenger the current regulations governing fares structures mean that although competitive in other ways the airlines are obliged to charge comparable fares); and that personal recommendation from colleagues and friends counts for a great deal in choice of airline, with travel agents' recommendations playing a less important role.

For all that his fare is substantially higher, the average business traveller gets modest enough benefits.

Mostly, apart from the undeniably spacious surroundings of first-class cabins and the less spacious business or Club Class (but still way above the cramped steerage conditions of economy cabins), he gets the benefit of flexibility, the ability to change travel plans at will, moving from one airline to another to suit his own convenience.

For the rest, the fringe benefits, such as advanced seat selection, executive lounges, and free limousine travel between office or home and the airport, while more than welcome in creating a more comfortable ambience in which to travel, are of lesser importance to most business travellers, although those who have sampled them would probably admit that now they would not like to be denied such frills.

As a result of this increased volubility, together with the airlines' own recognition of their direct value to the revenue inflow, airlines are paying more attention to business travellers. On short haul routes in Europe, some airlines (notably Lufthansa and Iberia) have already gone so far as to increase the seat pitches to give more leg room to the business travellers, in addition to improving the overall quality of in-flight service.

That move has already obliged British Airways to admit that it is studying its own Club Class concepts, and may well decide to improve them before many more months are out. It is also studying improvements to its long-haul business class Super Club services, with improvements also likely to be on the way.

While in Europe BA's Club Class makes money for the airline, there have been signs that the "brand loyalty" of many UK business travellers is now being strained by the improving quality of service on other airlines—especially the increased leg room, which makes BA's cramped three-abreast style of seating, especially in its Boeing 737s, increasingly unacceptable to many business travellers.

While other elements of service to business travellers are improving, such as the standards of courtesy shown to passengers on board (something that on many short and long-haul airlines is long overdue), it is this overall standard of comfort and convenience that probably matters most to the business traveller, although any airline that ignores the other elements of higher quality of service does so at its peril.

For what the European Data & Research survey showed, as have other surveys over the recent past conducted by airlines themselves and other organisations such as aviation journals, is that business travellers are showing a greater tendency to shop around for their flights.

As part of this changing attitude, the business traveller is also questioning the level of fares he has to pay

A recent study by the International Foundation of Airline Passengers' Associations, based in Geneva, showed that many business travellers really thought the current discrepancies between their own and the cheap discount rates to be unfair, and that in many cases the higher quality of service they got was not sufficient to justify that gap.

Accordingly the IFAPA commissioned Mr Hugh Welburn, the inventor of the Advanced Purchase Excursion or Apex fare, to design a "Business Passengers' Extra Option" or "BPEX" fare.

This is deliberately designed initially for European business travellers who are willing to adapt their requirements in return for lower prices. It broadens the range of choice available for those who can make firm arrangements a few days in advance, who do not always need to travel at times of peak demand and who do not necessarily require the services of more than one airline to be included within one ticket.

In return for avoiding the costs of product features which they do not require, such as last minute changes of reservations and itineraries and travel at peak periods, business travellers opting for BPEX should be able to enjoy significant reductions in present full fares.

The airlines have yet to accept the concept—it is expected to be discussed at the next annual meeting of the International Air Transport Association—and precise levels of BPEX fares have still to be worked out.

Michael Donne

Executive travel on board the Lufthansa Boeing 737-300

Air Charter

Brighter future for air taxis

THE BUSINESS traveller has access to more air charter and air taxi services than ever before and is using these services more often, more regularly and with greater confidence.

The use of air taxis and air charter services has been routine in the US for several decades. Business travellers there no longer need much encouragement to use light aircraft as regularly and with as little fuss as they use taxis on the ground.

In Europe, where distances are not as great as in the US and where the high cost of scheduled air services is a brake on the free growth of air travel, the development of air taxi and air charter services until quite recently has been at a more modest rate. With the emergence of healthy economies in much of Europe and the continuing need for face-to-face meetings in spite of the proliferation of electronic office communication systems, the air taxi operators have begun to flourish.

The growth has helped sharpen the focus of the UK Government on to the needs of the business traveller and business aviation. Mr Michael Spicer, the minister for aviation this spring emphasised the growing opportunities for business aviation to serve London from local airfields around the capital.

He told the Air Transport Operators' Association (formerly the Air Taxi Operators' Association) that he was convinced that the Government should not create a single specialist business aviation airfield to serve London.

"Business activity is not concentrated in any one particular part of the city or its surrounding catchment areas. It is a matter of good fortune that we have a ring of airfields around the capital catering for differing geographical sectors with overall capacity to spare," Mr Spicer said.

He urged the business aviation industry and users to capitalise on these assets and suggested that the variety of airports could encourage competition among operators.

The new arrangements for simpler and more rapid clearance of British and other European Community nationals embarking in the UK, announced by the Home Secretary in April, were also applied to business travellers under the business users concession, with effect from April 13.

"This provides for UK and other European Community nationals on business flights not being required to have their passports checked each and every time they leave the country," Mr Spicer said.

The Government confirmed the policy of successive governments of giving priority to commercial airlines over business aviation at Heathrow and Gatwick airports. The policy was first announced in a Government white paper in 1978 and was confirmed in another white paper in 1985. The aim was to make the most effective use of scarce runway capacity at the airports.

The Civil Aviation Authority had hoped that business aviation would be banned entirely during the peak periods at the airports, but the Government ruled against such a blanket ban.

Instead the Government laid down rules which provided for business aviation, the air taxis and small air charter aircraft, to continue to use Heathrow and Gatwick during peak periods at the airports, provided the users obtained the permission of the airport operators.

The rules do provide for some restrictions on general and business aviation and on all-cargo air services, but the airport authorities are able to offer exemptions from the restrictions at their own discretion.

Nevertheless, Heathrow and Gatwick are going to become progressively more difficult for business aviation operators and their business travel customers. This is because the pressure on runway capacity and terminal space is almost bound to continue to increase, as growth in international and domestic air travel continues.

This will put pressure on the business aviation operators to seek out and develop the smaller airfields, often with limited facilities at the moment, but with potential for development.

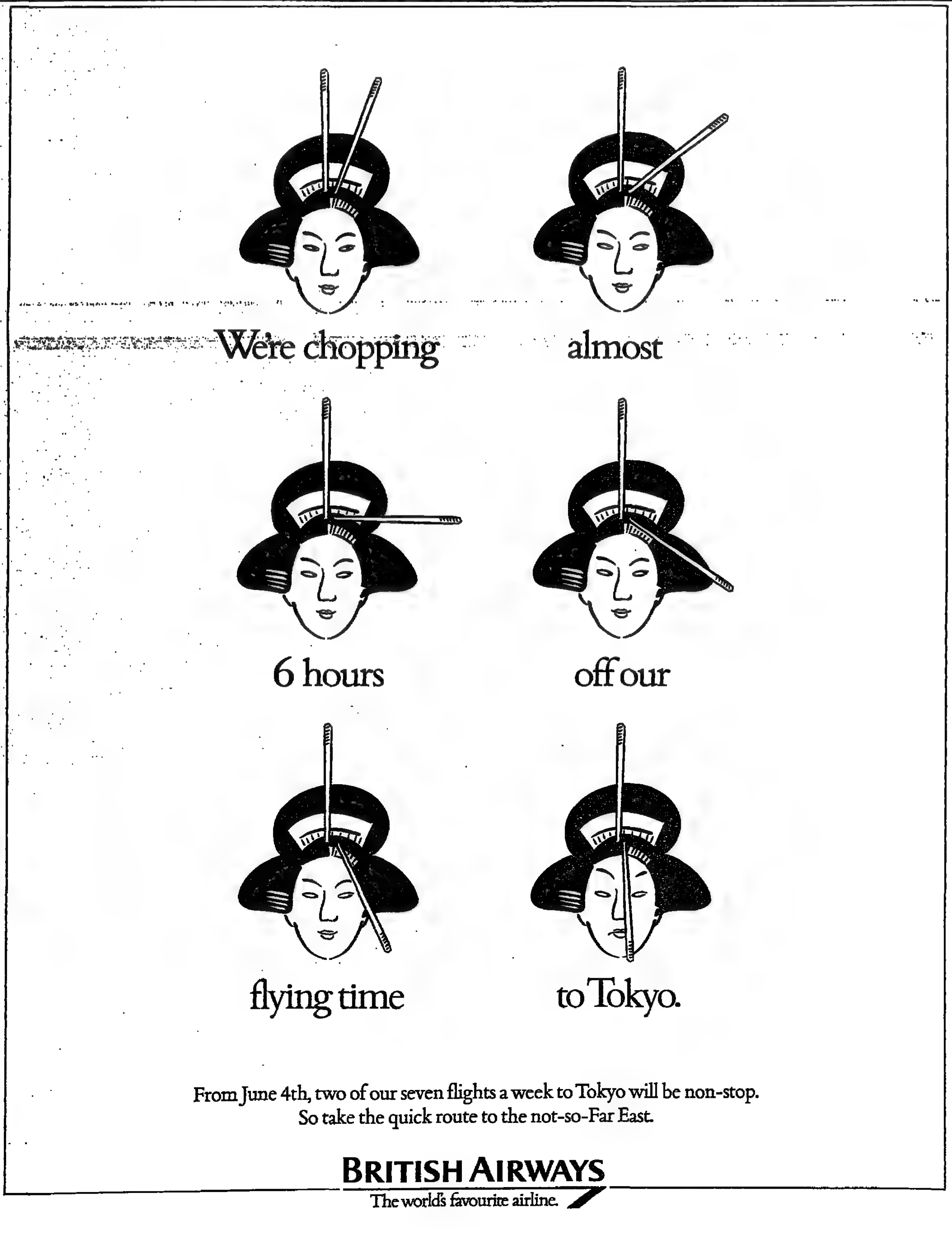
The Government has already secured additional permanent facilities in the south east for business aviation. There are enclaves for civil aviation use at the Royal Aircraft Establishment airfield at Farnborough, Hampshire, owned by the Ministry of Defence and at Royal Air Force Northolt, Middlesex.

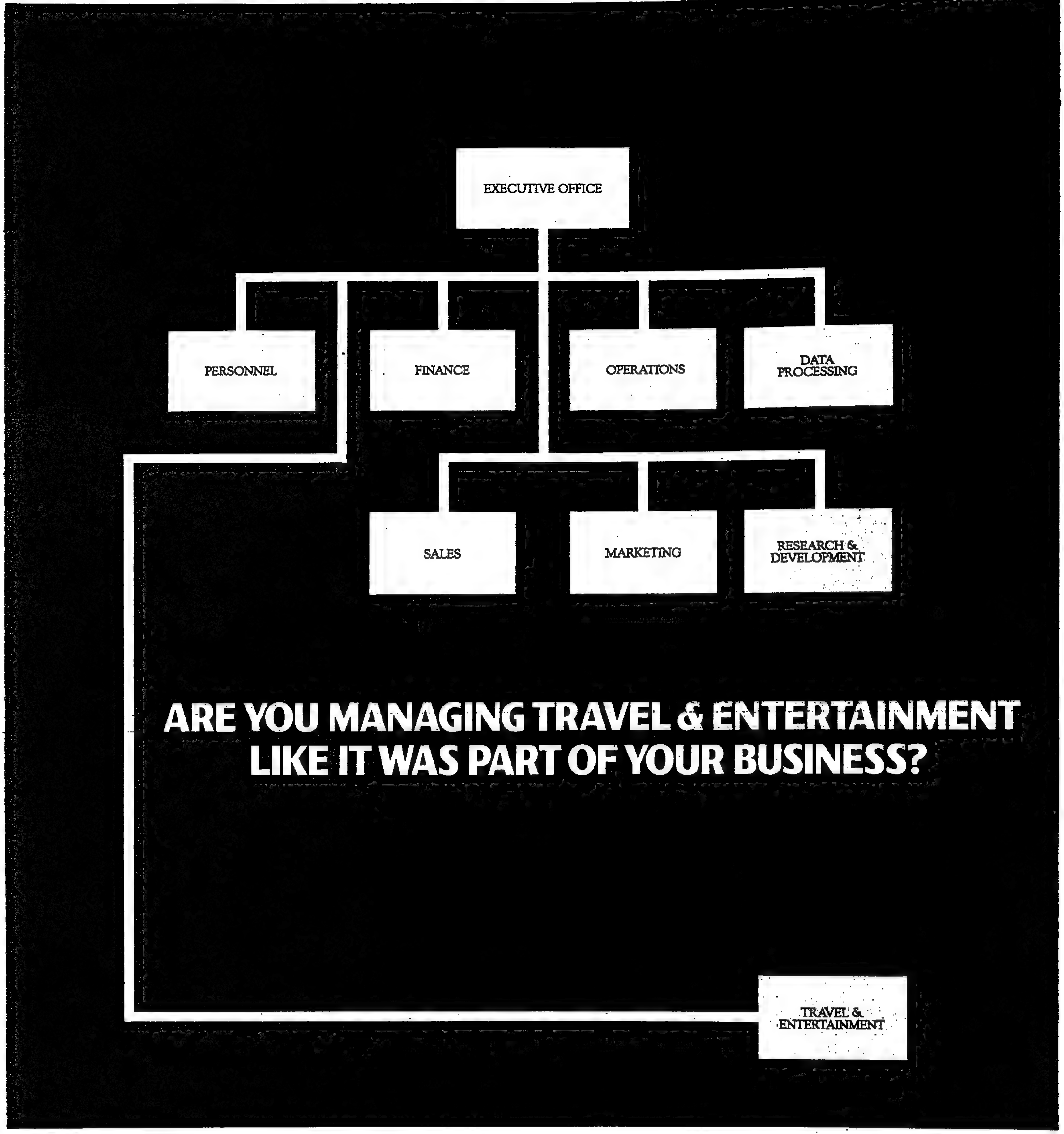
The commercial contract for the civil enclave at Farnborough where the 1985 White Paper forecast a potential of up to 25,000 business aviation movements each year has already been let. This total, if realised, would be over 80 per cent of the total business aviation movements currently recorded at Heathrow and Gatwick combined.

The Government does not believe there is the same potential for a civil enclave for the development of business aviation at Northolt, although proposals for this are gaining momentum.

At the same time, the business aviation industry has expressed its concern that inadequate customs provision at the smaller airfields is inhibiting the growth of business aviation.

Lynton McLain




EXECUTIVE OFFICE
PERSONNEL
FINANCE
OPERATIONS
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MARKETING
RESEARCH & DEVELOPMENT
ARE YOU MANAGING TRAVEL & ENTERTAINMENT LIKE IT WAS PART OF YOUR BUSINESS?
TRAVEL & ENTERTAINMENT

First class travel by Inter City

Rail

Packaging the executive

TO THE business traveller, railways mean InterCity, British Rail's flagship express service, which celebrates its 21st birthday this year.

The celebrations have been noisy, and the publicity self-confident—but the fashionable nostalgia has not been allowed to obscure a growing concern for quality.

InterCity was born in 1966, when electrification transformed the route between London, Liverpool and Manchester—though the name was used in its hyphenated form 10 years earlier to describe a steam hauled express.

Steam traction has since disappeared from the network, which is now split between electric and diesel hauled services—but development has been neither smooth nor uniform.

Electrification reached Glasgow in 1974, but then petered out in the spending cuts of the early 1970s, and is only now being extended to Edinburgh in a £300m project on the East Coast main line.

This service has now reached Norwich, and will reach the Scottish capital by 1991, cutting journey times by up to half an hour.

British Rail achieved a major success in the express travel field with the development of the distinctive high speed train, marketed as the InterCity 125, which is still the fastest diesel hauled train in the world.

It suffered a major setback, however, with the demise of the Advanced Passenger Train (ATP) in a blaze of bad publicity about faulty tilting mechanisms and sick passengers.

There have been no further attempts to produce a technological breakthrough in rolling stock, and hence nothing to match the super fast trains operating on special track in France.

The next generation of electric locomotives, called the Electra class, is under construction, however, and will be capable of operating up to 140 mph, though the number of areas where track conditions will permit maximum speeds is limited.

A fleet of new coaches is also being designed to improve the environment and ride characteristics for passengers.

Like the rest of British Rail, InterCity is forced to make the best possible use of its assets, and this sometimes leads to claims that trains are run with too few coaches to accommodate the number of passengers wishing to travel.

BR regard these claims as unfair—it says the number of coaches rarely varies on a given route, so that if passengers travel on overcrowded trains it must be because they consider it is still the cheapest or most convenient way to travel.

InterCity has a serious problem to overcome—the sector had an operating loss of £117.2m in 1985-86 on gross income of £813.4m, and is required by the Government to go into profit—defined as a return of 2.7 per cent on assets employed—by 1990.

With targets like that, it is no surprise that the sector's 100 electric locomotives and 91 HSTs have to do a lot more work to earn their keep than the rolling stock of other world railways.

Many HSTs clock up more than 1,000 miles a day, and all achieve a minimum of 220,000 miles a year. By way of comparison, this is three times the mileage rate of express locomotives in the steam age.

The received wisdom within *British Rail* is that InterCity services are competitive with air travel for journeys of less than 300 miles.

First-class business passengers require convenience, comfort, quality and reliability, and InterCity's pricing and marketing strategies are designed to stress the advantages the train can offer in each of these categories.

The best example is the Executive ticket, which includes free car parking, seat reservations and meal vouchers in one easily purchased pack.

Another example is the accent on air conditioning and improved quality seats in InterCity advertising.

But probably the most important breakthrough in this field is the introduction of the Cuisine 2,000 catering cars, now being introduced at the rate of one a week on trains to and from Euston.

For the first time, food is being prepared in central kitchens and delivered fresh to trains every day. This introduces the flexibility to serve a greater variety of dishes—including those with sauces, and those requiring a long cooking time.

InterCity says the old limitations on time and space in travelling restaurant cars have disappeared. The chef now simply finishes off the cooking process, and stewards return the dirty crockery to the central kitchens—leaving more time to look after the customers.

This means more use of trolleys to deliver refreshments to passengers in their seats—avoiding the trek to the buffet car. New ideas are also being tried, such as the City Bistro on the London to West Midlands trains, where menus offer pasta dishes and curries, as well as more traditional steaks.

"Regional food, new dishes in the buffet, freshly produced fare and a new way of presenting food is becoming the norm. The sausage roll, pork pie, curly sandwich and slab of fruit cake which so epitomised the old order have been swept away, replaced by a new range of freshly prepared, high quality products," InterCity claims.

There are no figures for Cuisine 2,000 as yet. But the new system will be doing well if it performs as well as InterCity's revamped sandwiches, which have more than doubled sales in the last 12 months.

The new-style hot bacon roll has also gone down exceptionally well—sales are expected to reach 1.5m in 1987, compared to 300,000 annual sales of the toasted sandwiches they replaced.

On several major routes, however, the reintroduction of the Pullman class in 1985 is probably the single most important factor in the calculations of businessmen deciding whether to let the train take the strain.

Pullman has revived standards of passenger comfort in first class compartments which most people thought had died with the steam age.

Five InterCity Pullman services operate at present—between London and Manchester, Liverpool, Newcastle, Leeds and Blackpool. Sheffield and Birmingham will join the Pullman network on May 11.

For £10, passengers can also join the Pullman Club, which entitles members to use luxury lounges at King's Cross, Euston, Leeds, Newcastle and Edinburgh (even though the service does not yet extend across the border).

Most Pullman lounges also feature Rendezvous Rooms offering a business meeting facility for up to 10 people.

Pullman is the cutting edge of BR's strategy for attracting the first-class business passenger market, estimated at more than £70m a year.

InterCity is also concerned to capture the growing market for second class business travel, however, which is thought to be worth in excess of £100m a year.

A number of companies and institutions, some quite large, will now allow their staff to travel only second-class, and many will have a choice between the train and collecting a mileage payment for driving their own car.

This is a market InterCity has pursued vigorously, though nothing has yet come of plans to cater for it by creating an intermediate class between first and second.

Kevin Brown

Car rental

Loyalty in the driving seat

A YEAR ago the UK car rental business was one of the sectors becoming extremely worried by the slump in travellers to the UK from North America because of fears of terrorism in Europe. One car rental company, for example, recalls a particularly bad day at Heathrow when none of the Americans who had pre-booked a car turned up to collect it.

Yet as it turned out, the market from North America recovered more quickly than expected and the business traveller was the quickest to return. But the damage done by the fall off in visitors in the early part of the year was enough, according to trade estimates, to leave the overall market growth in the UK last year at under 10 per cent.

Total spending on UK vehicle rentals was estimated at some £400m last year, of which about £300m came from car rental with the rest coming from van and truck hire.

About six out of every 10 renters of cars, moreover, were estimated to be business users—emphasising the importance of the business traveller to the rental market.

For most business travellers, the choice of which rental company to hire the car from is a combination of several factors. Price is clearly a factor but not the most important. What is important, however, is the level of convenience and service that a business traveller can expect.

After a delayed flight and the hassles of customs and baggage delays, most businessmen arriving at an airport simply want to pick up a car with the minimum of fuss.

Not every executive, of course, has the complete freedom to choose which rental agency to use—since that often depends on deals already negotiated with his or her company. But it is perhaps a sign of the importance the business traveller pays to convenience that he or she is willing to buck the system if it means getting hold of a rental car more easily.

The car rental companies' own research has shown that convenience and service are the key factors. Renters' priorities include, for example, a rapid reservations service, with international links if appropriate. They obviously want a clean car in good working order as well as arrangements such as being able to pick up the car at one location and drop it off at another, after office hours if necessary.

All the rental companies are well aware that business travellers can be fairly fickle about which renter they choose—after all, a Sierra is a Sierra from whoever it is rented—so they realise that it is essential to concentrate on convenience and service.

Hertz rental cars undergoing checks and maintenance before passing to customers at Heathrow Airport

"The car rental market is becoming more and more competitive and it is the service aspect that is winning," confirms Mr John Howard, managing director of Hertz UK.

One aspect of the service offered by Hertz—which is receiving heavy television promotion at present in the commercials featuring Ronnie Corbett and Ronnie Barker—is its link up with British Airways.

Hertz has been appointed the BA preferred car rental supplier world-wide for three years and the exclusive contractor for the Super Shuttle Drive service for two years.

Under the deal, Hertz guarantees to have a car waiting at the destination airport for any passengers flying the BA Super Shuttle service from Heathrow, Manchester, Belfast, Glasgow, and Edimburgh airports.

No advance reservation is required and paperwork is completed in the departure Shuttle lounge using the Hertz booking computer which allows the business traveller to board the Super Shuttle flight carrying the rental documents. On arrival at the destination airport, the customer can go direct to the Hertz car.

Apart from this deal, Hertz—which claims to be the oldest established car rental in the world—goes all out to woo the business traveller.

For example, it has introduced a customer loyalty prog ramme which means that for every time a Hertz car is rented, bonus points are accumulated towards the free hire on holiday of a Hertz car. The accumulation of 600 points, for example, would entitle the customer to a free week's rental anytime in any of the 130 countries in which Hertz is represented.

Avis—the company which claims to "try harder" in its advertising—has also recently announced a link-up with British Midland airways aimed at wooing the business traveller. Avis's rapid rental service will be available from the British Midland departure lounge at Heathrow and covers a number of the smaller regional airports, such as Birmingham, East Midlands, and Leeds/Bradford.

"Avis has been steadily developing its portfolio of products and services aimed at making the business traveller's life easier and more efficient," claims Mr Geoff Corbett, managing director of Avis.

While Hertz and Avis are the major rental companies on a world-wide basis, the UK market is headed by two other companies—Godfrey Davis Europcar and Swan National.

Europcar, which claims to be the UK's oldest car rental company, operates a rental fleet of over 10,000 vehicles, encompassing 67 different models. It offers rental facilities at over 280 locations, including on-site offices at more than 80 InterCity railway stations and at 35 UK airports.

The Rail Drive service, for example enables long-distance travellers to cover the greater part of their journey by train and to have a car waiting for them on arrival.

Mr David Hardman, managing director of Godfrey Davis Europcar, points out that "Europcar now holds preferential rental contracts with over 3,500 British businesses—organisations including Marks and Spencer, British Gas, Thorn EMI and British Aerospace."

Swan National, a subsidiary of the Trustee Savings Bank, has a fleet of some 8,000 vehicles and over 100 branches in the UK. The company estimates that about 80 per cent of its business is from the business traveller.

Mr Tony Grimshaw, managing director, points out that only one in five companies approach their car rental needs in a systematic way. Many companies instruct employees to rent a car when necessary—"a very costly way of purchasing car rental."

He says that "once a company is made aware of the benefits to be gained from a favoured rental supplier, then it is to their advantage to open an account with one of the national car rental firms."

The smaller rental companies in the UK include Budget, Kenning, and Guy Salmon car rentals. Guy Salmon has just been acquired by the Mercantile Credit Company, owned by Barclays Bank, and is planning an ambitious expansion programme aimed at the business traveller.

Apart from the normal rental services, Guy Salmon also offers a chauffeur driven limousine service. A chauffeur-driven Daimler limousine, for example, costs £136 a day. More than half of users of the chauffeur service are businessmen who are seeking the service and convenience of being driven in luxury while they work in the back seat.

Super-executive class in-flight service on the Boeing 747

Travelling wives

Wooing the spouses

THE EXCUSES are getting weaker. In the old days the businessman was packing his bags for a foreign trip to the accompaniment of his wife querying "why can't I come, too," could fob her off with the horrors of extra travelling and accommodation costs, and the tedium of being left on her own all day in foreign parts. Now the travel industry is coming to the aid of abandoned wives—and husbands married to a globe-trotting female executive.

Virgin was quick off the mark to offer a free economy ticket to the US for anyone buying into its first class cabin. Being a street-wise airline it suggested that a businessman might like to take his secretary along on the complementary seat but it was broad-minded enough to allow wives to travel, for once, in the guise of secretaries. Indeed, for all the formality of the language in some special "spouse" offers, no close examination of marriage certificates is made, although wives are the ideal restful companions on important business trips.

The trans-Atlantic airlines tend to offer discount tickets for travelling companions according to the time of year—one or other of them is usually promoting such an incentive in off-peak time, and a good travel agent should be able to advise. Travelling across North America can invariably produce a cheap, or free, extra flight, so competitive are the local airlines there.

Europe is still locked in an airline cartel but when new carriers squeeze in there are, inevitably, benefits for users. Transavia, which gained access to Amsterdam last winter, has a special Spouse Fare—a 50 per cent discount on the £85 single first class charge, or the £58 economy. And just to prove that national carriers can put filling aircraft above fixed price Iberia is offering a third off for a travelling companion to anyone booking one of its low cost Moneysavers to 13 cities in Spain until June 25.

Unfortunately businessmen this month are more likely to be flying to Frankfurt or Zurich rather than Malaga or Alicante, more's the pity for their spouses. But even if you cannot get a discounted fare for your partner there are other avenues to explore. You can often save considerable sums by taking a package. This is particularly true on journeys to the Far East, where there is a surplus of hotel accommodation.

For example, Oriental Magic has been mounting a "No need to travel alone to the Orient" promotion which provides two return economy tickets, plus accommodation in the Far East, for less than the cost of one business class ticket. It is a real test of love—giving up the spaciousness of life in the front of the aircraft, and the graciousness of oriental women, to enjoy the company of your spouse.

The Far East has another great attraction for travelling doubles—hotels charge by the rooms rather than by the person. Indeed in many cases it is cheaper to share a room than to go solo—the hotel managers rejoice in the fact that your spouse will be eating expensive hotel food and drink expensive hotel beverages. Wives have a weakness for room service.

With luxury hotels in big financial centres like Singapore indulging in an orgy of competitive price cutting there has never been a better time to fulfil all those promises of "you can come on the next trip." On the other hand any savings on flight and accommodation are expected to be swallowed up in the shopping palaces of Hong Kong and Singapore.

You will rarely have to pay more to accommodate your spouse abroad. The UK is virtually alone in charging according to the number of occupants rather than by the room, thus turning away both custom and profit. In the US, your hotel room is your residence while you pay for it and you can pile as many spouses in as you like.

There are signs that British hotels are waking up to the marketing possibilities, and tempting businessmen to add week-end breaks to their working week with discounted rooms and incentives for bringing a partner. Ladbroke Hotels gives its Club Card holders free mid week accommodation for spouses, as well as 20 per cent off on weekend breaks. Its flagship hotel, the Royal Berkshire at Ascot, offers spouses luxury rooms at £20 a night. Best-Western, and other leading hotel chains, promote equally attractive packages, with the best deals aimed at their regular, card carrying, customers.

Most businessmen, and businesswomen, are well aware that their mates have an exaggerated view of the pleasures of foreign travel. Taking them on the next trip to Lagos or Riyadh might keep them quiet for years. Stuck in hotel rooms; horrified by the prices in the shops; forced to talk to the wives of business contacts with minimal English; and conscious that if they were not there the spouse would be having (however unlikely it may seem) more fun—to be the appendage of a worker is a dismal prospect. It is a high price to pay to be part of Mrs Evadne Currie's drive to ensure that British entrepreneurs don't catch AIDS by going foot loose into the world.

As in most cases there is a middle way. More and more companies now pay for a spouse to go with their working partner on the occasional trip abroad. It leads to domestic peace and can produce better profits—to have an accomplice in an alien climate improves confidence. Often more family oriented foreign businessmen melt on the sight of the English businessman's wife. By astute use of special offers, it need not cost any more, especially when the saving on gifts is taken into account.

Looking around a business class, or more frequently an economy class, cabin on a late flight back from some dismal foreign city the British merchant venturers do not look like happy free booters, satiated with memories. Invariably they look like men and women who just want to get home.

Not for them the pleasures of the Royal Suite at the New Otani hotel in Tokyo, with its special door hidden into the wardrobe which provides a discreet exit for transient companions. For most business travellers foreign travel is hanging around airports, hanging around offices, hanging around restaurants, and hanging around bedrooms—and wondering what's happening back at the ranch.

Antony Thorncroft

Lady Crest Executive bedroom in the Crest Hotel, Glasgow

Women executives

Hotels stress security

EVERY WOMAN, Virginia Woolf pointed out, needs a room of her own. That much is clear. But when it comes to the growing band of women business travellers, the question being asked increasingly is just what kind of room she requires.

An apparently frivolous preoccupation with pastels, chintz, room fragrances and vanity lighting has been exercising the minds of some of the world's largest hotel groups, anxious to attract this growing market.

The importance of the female sector in business travel is undeniable. Less than a decade ago the proportion of women among business travellers in Europe, including the UK, was 4 per cent. By last year the figure had risen to 30 per cent. In the US, the percentage is even higher and the New York Times has predicted that by the year 2000 women will be responsible for nearly half of all business trips. The famous brand loyalty of women has also made them a particularly attractive target to marketing specialists.

Awareness of their growing importance has led to changes more fundamental than a cosmetic tinkering with the decor of hotel rooms. The horror stories that were legion among women pioneers of business travel in the dark days of the early 1970s have, thankfully, declined.

Penny Simpson, now British representative of the Ramada chain with 600 hotels worldwide, recalls one particularly unpleasant incident when she was working as a conference organiser. Her 40 delegates were ensconced upstairs in the conference suite of a large London hotel when she went down to the foyer to check administrative details.

When she went to the lift to return to the suite she was unceremoniously asked to leave. Hotel staff had mistaken her for "a lady of the night." She remembers indignantly: "I had to go through the ignominy of telephoning to the conference that I'd organised and asking them to vouch for me."

This would be unlikely to happen today in the major cities of the world, says Penny Simpson. "But outside the capital there is still room for improvement." A report by the Automobile Association as recently as 1985 observed an insensitivity to the needs of the woman business traveller, especially where it came to service in public rooms.

There was a tendency to seat the single woman dining alone out of sight behind pillars or tucked away in a gloomy corner as if her presence were an embarrassment.

Consciousness has been raised since then and although women travelling alone still tend to opt for room service rather than brave prying eyes in restaurants and bars, those of a more courageous disposition will find a discreet and respectful welcome from the staff, at least, of the more enlightened hotel groups.

But the unwitting slights do continue in some hotels. "When you're with a male colleague, they always assume he's your boss or your boyfriend. And you're probably the boss!" says Penny Simpson. There is some justice in the fact that she now organises the British end of Ramada's Travelling Business-woman Programme, which involves training in "staff awareness."

Ramada has rejected the chintz principle and operates instead on the basis that women want "equal treatment rather than special treatment."

Market research has shown that security is of paramount interest to the women business traveller and, accordingly, Ramada emphasises its locking devices, peep-holes and 24-hour security. Staff are trained in "room key privacy," which means they pass the key discreetly to guests and do not loudly announce the room number. Nor do they disclose room numbers to telephone callers.

But these precautions are universal; they apply as much to male guests as to female guests. Similarly, restaurant staff are taught that "if the lady made the booking, she probably wants to choose the wine. She also probably wants to taste the wine—and to pay the bill," says Penny Simpson.

Crest, with 45 hotels in the UK and 34 in the rest of Europe, encourages a similar approach by restaurant staff. Company public relations representative Susan Dean said: "We try to make the woman business traveller at ease in the dining room, not stick her out of the way."

Security is also stressed and for an additional £10 or so a night, guests can stay in special Lady Crest rooms with a spy hole and a chain as well as pastel coloured walls and carpets, hairdryers, make-up mirrors, sachets of body lotion, extra large towels, towelling bath robes, skirt hangers, bathroom scales, a basket of fruit, a soft drink tray and a bowl of fragrant pot pourri. "The rooms smell nice and the decor is very relaxing. They're very popular," says Susan Dean. Ladbroke's Dragonara Hotel in Leeds has a women-only floor in pretty, muted shades.

One frequent female traveller who would not take up the special treatment option is Christina Smith, owner of a £1m-plus shop, restaurant and property business in Covent Garden. Pastels and pot pourris are not her style, although she does appreciate an awareness among restaurant staff of the special needs of single people dining alone.

"You don't seat single people in Siberia, out of the way. The ideal place is in the centre where they can see what's happening but they aren't exposed to people coming into the restaurant and seeing them as single people."

Christina Smith, who has visited China more than 30 times, even expresses the minority view that business travel can be easier for women than for men. "In the early days when I visited China it was a positive advantage. There was an awful time when guests were nicely ensconced in their rooms and hotel staff would bring in another guest saying 'I hope you won't mind sharing your room'. Because I was a woman that didn't happen."

She also believes that women are better equipped emotionally for life on the road. "Women can look after themselves more easily, they're less lonely and they don't feel the necessity to go out on the town."

But the experience of both Crest and Ladbroke testify to an enthusiasm for the "gentle touch" in the fabric of their hotels. Repeat bookings are common. "They're very feminine looking rooms," says Susan Dean of Lady Crest. "And they're very popular."

Indeed the extent of their popularity has taken Crest by surprise. "We've got quite a few men who like to stay in Lady Crest Rooms," she says.

Annalina McAfee

Hotels

More comforts for top people

THE BUSINESS traveller is, not surprisingly, being assiduously wooed by Britain's top hotels. After all, it is the business traveller who forms the bulk of the market for most hotel chains during the week and it is essential, therefore, that all efforts are made to attract business custom.

This wooing can take a variety of forms:

- Hyatt Hotels has a Gold Passport programme to cosset the frequent business traveller, Some 20 additional services are offered for holders of the Gold Passport—ranging from cheque cashing for up to $250 through to delivery of room service breakfast within 10 minutes of the time requested, or else receiving it free.
- The newly refurbished St James Court Hotel in central London has an "Action Line" offering what it claims is a complete problem solving service, such as tickets for top shows or picking up a chemist's prescription.
- Crest Hotels offers the Healthy Executive Breakfast—a special meal aimed at the weight-watching business traveller.
- The Regent International hotel in Hong Kong has two international direct dial telephones in every room—plus a third extension in the bathroom.
- Ladbroke Hotels have created new Plaza floors which feature a hostess for each floor who greets guests with a glass of champagne.
- Holiday Inn offers frequent business travellers who are members of its Club Europe extra features such as a trouser press, hairdryer, luxury toiletries, and larger, thicker towels in each room.

The list of such perks is almost endless and hotel managements pride themselves on thinking up new ways to keep the business traveller's custom. "Comfort and efficiency is not enough for today's frequent traveller," points out Mr Peter Brainch, sales and marketing vice president for Copthorne Hotels, part of the British Caledonian group. "The hotel must provide a memorable experience so as to create the desire to visit it again."

Some business travellers, of course, feel that the giant international hotel groups can never offer the right level of personal service. They prefer instead the more discreet charms of up-market clubs such as the St James club in London and Paris, owned by international businessman Mr Peter de Savary.

Such wooing of the business traveller, however, was given a knock last year by the slump in visitors from North America, concerned at potential terrorist attacks in Europe.

Horwath & Horwath, the hotel industry consultants, report that hotel room occupancy last year for the UK as a whole was some 3 per cent down on the 1985 level. London's occupancy rate was some 7 per cent down.

However, while the total number of visitors fell by 4.5 per cent last year, in comparison with 1985, visitor spending was the same as 1985's record levels.

Mr Jonathan Bodlender, Horwath & Horwath's managing director, believes that "the average room occupancy rate for 1987 is likely to recover, barring any major economic downturn or resumption of terrorist activities."

He also points out that "hotels achieved healthy increases last year in average room rates—up by 13 per cent for the UK as a whole, with hotels outside London showing greater increases."

Optimism in the hotel industry remains high, in spite of last year's problems. Major hotel building programmes are being undertaken all over Europe, buoyed up by a recent forecast from the European Travel Commission of a 5 per cent increase a year until 1990 in the numbers of visitors to Europe.

Expansion in Europe is the goal of a number of major international hotel chains. Regent International Hotels, based in Hong Kong, is looking for sites in Hamburg, Frankfurt, Brussels, Paris and London—with the latter being a high priority.

Regent was chosen last year by the Institutional Investor magazine as the "world's best hotel group." Although it has had a relatively low profile so far in Europe, it is one of the leading chains in the Pacific Rim countries and now has 15 hotels in nine countries—including the Beverly Wiltshire in Beverly Hills and the stately Breidenbacher Hof in Dusseldorf.

Mr Robert Burns, its president, says that he could "count 28 places where one could put a Regent hotel that would be the first or second-best in a given community."

He adds that "there are various criteria when you are dealing with the upper end of the business market, as we do. We cater to a non-rate sensitive business visitor, and this usually means being located in a city that is a major business centre."

Holiday Inns, the world's largest hotel chain with almost 1,700 hotels and more than 300,000 guest rooms in over 50 countries, is adopting a different tactic to woo the business traveller.

The company was founded in the US in 1951 and developed throughout the 1950s as a value-for-money motel chain which took advantage of the expanding inter-state motorway system in the US. Through franchising, the company grew rapidly in the 60s and 70s to emerge as the major hotel chain in the world.

However, Holiday Inns' very success had begun to cause it a few problems in recent years since its image became very diffuse because of the varying standards of hotels. In the US, for example, the American executive would not normally consider staying in a Holiday Inn because of its down-market image and facilities.

In Europe and many other countries, however, Holiday Inns are a fairly up-market type of hotel well suited to the needs of the travelling businessman.

The problem was that American executives travelling abroad where reluctant to book into Holiday Inns—not realising that they were a very different class of hotel outside the US—while businessmen travelling to the US and staying in Holiday Inns became disillusioned.

The company's response has been to create a new class of top hotels called Holiday Inn Crowne Plazas. Already several are open in the US and the first in Europe was opened in Amsterdam earlier this year. This is being followed this month by the refurbishment of Manchester's famous Midland Hotel into a Crowne Plaza.

Mr Sigi Bergmann, managing director for Holiday Inn in Europe, Middle East, and Africa, says that 80 per cent of total occupancy comes from the business traveller "who favours us because of our consistently good standards."

A new challenge for established chains such as Holiday Inn is coming from Labroke Hotels, which has spent some £50m over the last two years on refurbishing its key hotels to bring them up to the standards expected from the international business traveller.

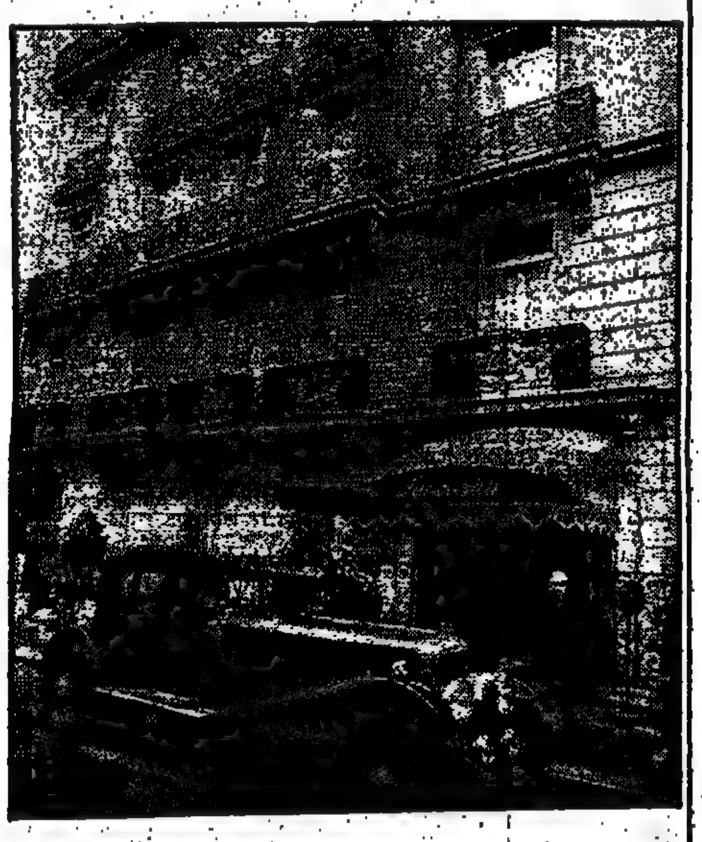
Ladbroke's new jewel in its crown, moreover, is likely to be the Langham Hotel in Regent Street—acquired from the BBC for £26m last year.

The business traveller, of course, expects nothing but the best.

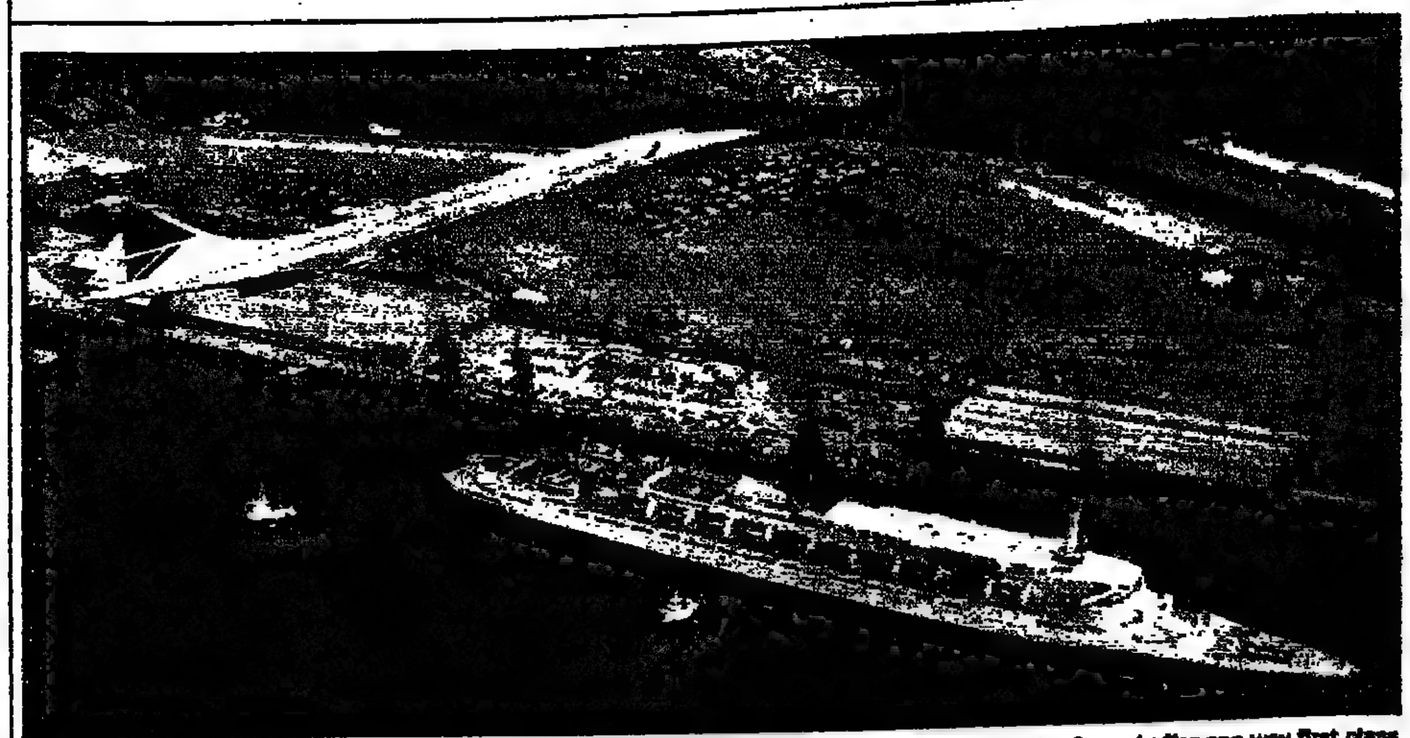
David Churchill

Glyn Genin

Mr Kenneth Boone and members of his staff at St James Club, Paris



The Lancaster Hotel, a Paris outpost of the Savoy Hotel Group, is favoured by business travellers. Below: Holiday Inn in London's Mayfair



The ultimate travel incentive? The newly re-furbished Queen Elizabeth 2 and British Airways Concorde. Cunard offer one way first class crossings in the QE2 with the other by Concorde for less than the single supersonic fare

Incentive travel

Rewards of corporate life

Sovereign of the Seas is expected to be in service for the Royal Caribbean cruise line in 1988

CLASSIC HOLIDAYS is a new up-market weekend break holiday package launched earlier this year by Travelscene, part of the Mecca Leisure Group, to capture the fast-growing individual business incentive market. Its emergence is typical of the efforts now being made by the UK travel trade to promote incentive trips since these offer greater added value for the operator than the usual mass-package holiday market.

"We are finding that many more companies are seeking a different and more professional approach to the holiday incentive market," points out Ms Jo Olliver, marketing director for Classic Holidays.

"Increasingly these companies do not only want an incentive package that involves over 50 or so couples all travelling together but are looking for the one off 'special' prize," she adds.

Moreover, the strain of corporate life—especially in financial circles post Big Bang—has lead to more incentives being aimed at weekend breaks only, since this is the maximum time many managers feel they can spend away from the office.

Classic approach is to choose top hotels—such as the George V in Paris or the newly-refurbished Grand in Florence—and build a tailor-made package for each incentive trip. Such packages, therefore, normally include Club Class flights, chauffeur-driven transfers from the airport, and champagne and flowers wating on arrival.

As part of Travelscene, Classic is able to negotiate favourable hotel and air rates. "This provides our clients with an up-market incentive product that is unlikely to be arranged cheaper either in-house or by alternative incentive operators," points out Ms Olliver.

Companies that have already taken advantage of such Classic packages include those in the car, pharmaceutical, and retail, industries.

While Classic Holidays are at the luxury end of the incentive market, the growth in incentive travel overall has been rapid in recent years. "While some areas of the tourism and travel industry have had to face difficult times, often through over zealous price cutting to the consumer, incentive travel has appeared on the scene to offer regular custom and to be laden with fat profits," points out a recent report in Travel and Tourism Analyst, published by the Economist Intelligence Unit.

"Yet the incentive travel concept remains widely misunderstood by both actual and potential users as well as those who do and could supply certain elements of the final product," it adds.

The exact size of the incentive travel business coming from UK companies is hard to define, but most researchers suggest that about £200m was spent by companies in this way last year. Research has also indicated that about a third of the top 1,000 UK companies had used some form of conference or incentive travel in recent years.

Among those that had used incentive travel, nearly three-quarters of such companies used it to motivate their own sales forces while half also used travel as an incentive for dealers.

Mr Edwin Ackers, managing director of Compass Travel which was split off from the Thomas Cook group some 18 months ago to concentrate on incentive and conference travel, reports that revenue has increased by about 50 per cent over the past year. "Even for the industry as a whole, increased revenue over the past 12 months is in the region of 25 per cent," he says.

"Companies have realised just how important motivational travel and overseas conference meetings are to increasing their image against competitors and in terms of promoting loyalty and teamwork among the work-force," he adds.

Mr David Arscott, chairman of the British Association of Hotel Representatives and sales director for the New Otani Pacific hotel chain, also points out that "incentive travel is the one single growth area in the hotel industry—whether it be for the weekend packages or for arrangements costing up to £3,000 per person per week."

The key factors influencing the choice of a conference or incentive travel destination appear to be the hotel facilities, price and the time taken to reach the destination. Gambling facilities, for example, are of little interest to UK incentive trippers, although in the US this is considered a major factor in choosing a travel location.

The most popular destinations for incentive and conference trips vary considerably, according to factors such as budget, purpose of trip, and the tastes of the target audience.

Short-haul destinations in Europe are still the favourite, accounting for eight out of every 10 of all trips according to a survey by the specialist magazine Promotions and Incentives. Paris is the most popular destination, making France the top country overall for incentive trips.

While short-haul is popular because of the shorter travel time taken—and the lower costs involved—there is also a clear trend towards long-haul destinations. This is a consequence of factors such as guaranteed sun in the spring and autumn, when most incentive trips take place.

The Caribbean, in particular, has become especially popular for incentives. "Our incentive business has taken off dramatically as a result of an aggressive marketing campaign over the last two years," says Ms Jennifer Brown, UK manager of the Royal Caribbean cruise line.

Demand for cruising is so great that a new liner for Royal Caribbean, called Sovereign of the Seas, is currently under construction in France. "Although Sovereign of the Seas does not sail on its maiden voyage until next January, some 4,000 incentive passengers have already been booked on the ship," adds Ms Brown.

The Caribbean is an increasingly popular destination for British companies, because of the sunshine and relaxed lifestyle. The Heywoods hotel and leisure complex in Barbados, for example, is especially favoured by British companies because of the range of facilities, especially for conferences. Heywoods is operated by Copthorne Hotels, part of the British Caledonian group.

Cruising in general is traditionally a favourite form of holiday for the British and therefore is becoming more popular for incentives. Mr Colin Cooper, incentive manager for Princess Voyages, part of the P & O group, says that "some 15 per cent of all our cruising berths now carry incentive passengers."

One new trend in incentive travel is the shorter time-scale demanded by companies. Mr David Hackett, chairman of The Travel Organisation, specialist incentive organisers, points out that in the past projects typically had lead times of more than 12 months. "Now projects are often planned within six months, partly in response to specific short-term goals and also to achieve the best value from 'opportunity purchasing' of special deals," he says.

A key point to bear in mind when organising a conference or travel trip is the potential tax implications, since in theory everything a employee receives as a result of employment is liable for UK taxation. The Inland Revenue, to help companies deal with this problem in advance, has set up a special unit to advise prudent companies on what the tax liabilities could be.

David Churchill

Conferences and Exhibitions

London attracts big spenders

CONFERENCES AND exhibitions are, for many business travellers, one of the main reasons for their journeys

Surveys have shown, for example, that about one in every five international business traveller is travelling to attend a conference or exhibition. Within the UK, business travel to conferences and exhibitions is harder to calculate but clearly is an important part of the business travel industry.

This reflects the increased popularity of conferences and exhibitions in the 1980s as a major marketing tool—a means of communicating a message to a target audience, be they a company's own employees or a world-wide convention of professionals.

The exact size of the market is open to different interpretations. The amount spent on exhibitions in 1985, for example, is calculated at £192m.

A 1983 study of exhibition facilities in London, moreover, puts the figure for expenditure on trade fairs and exhibitions at more than £500m.

However, the International Passenger Survey recorded that overseas business travellers in 1985 spent some £74m on exhibitions in the UK, although acknowledging that this was sharply up on the 1983 total of £44m.

The British Tourist Authority's business travel department has recently calculated that revenue from British and foreign exhibitors could well exceed £1bn by 1990, with overseas exhibitors and visitors generating up to £200m.

Expenditure on conferences is far less precise, since it is difficult to calculate exactly what to include. There are, for example, over 4,000 organisations in the UK which hold regular conferences, apart from commercial companies. Some estimates, therefore, put the amount spent on UK conferences at about £900m a year—although this could well be on the conservative side.

Even if precise statistics are not available to show the growth in popularity of conferences and exhibitions in the UK, there is no doubt that demand is extremely buoyant.

"So useful are seminars and small conferences that we are putting on more and more of our own," points out Ms Victoria Tomlinson, marketing manager for the Arthur Young management consultancy and accountancy firm. "It is an excellent way to provide a service to our clients on, for instance, the range of new legislation in financial areas."

Ms Wendy Griffiths, a specialist communications consultant, also points out that "business presentations are an important area of corporate communications such as sales conferences, product launches, and press conferences." She adds that "instinctively businessmen opt for live presentations because they know that personal communication works."

Moreover, conferences are also increasingly being used as a means of internal communications. "Organisations like British Airways, ICL, Royal Mail, Ford and British Telecom have all accepted that internal communications to their own employees are at least as important as external communications," points out Mr Peter Berners-Price chairman of Spectrum Communications, a specialist conference production company.

"A big competitive opportunity is missed if a new product is launched or high standards of service advertised if staff are not fully informed in advance of the changes that are necessary and then trained and motivated to meet those standards," he adds.

The exhibition and conference sectors in the UK are fragmented industries with numerous small operators. There are, for example, some 600 mainly small exhibition organisers in the UK—yet most major exhibitions are organised by just 20 or so companies.

A recent survey by the British Exhibition Venues Association of exhibition organisers found that London is still the preferred location for trade or industrial exhibitions, despite the success of Birmingham's National Exhibition Centre.

Most grouses from organisers covered in the survey were about catering and the lack of adequate car-parking facilities, although these opinions were only expressed by a minority.

Mr David O'Beirne, managing director of the Cahners Exposition Group (a subsidiary of Reed International), points out that "the traditional image of exhibition organisers as 'hit and run' merchants is changing and the shows of those who earned this reputation are dying."

Moreover, he believes that "there is a lot of competition in the industry now and a shake-out is taking place; but exhibitors are increasingly demanding effective promotion and a professional approach and the industry at last seems to be reaching some kind of maturity."

Demand for UK exhibitions and conferences has also been helped by the improvement and development of facilities in London and the rest of the UK. *In London last year, for* example, the new Queen Elizabeth II conference centre was opened at a cost of £44m.

At Earls Court and Olympia, plans for a new £35m exhibition hall have been unveiled—to be built by 1990—and this September a purpose-built conference centre at Olympia 2 will be opened.

Wembley has also joined the move to upgrade facilities with a new £5.5m building opened earlier this year which, it claimed, "brings exhibitions out of the concrete sheds of the past and into the comfort of the 20th century."

Outside London, the industry has seen the opening of the Aberdeen Exhibition and Conference Centre and the Greater Manchester Exhibition Centre (G-MEX).

In Birmingham, where the international airport has already been developed as an important regional hub for inter-connecting flights, work has started on the £107m Birmingham International Convention Centre.

One growing trend, moreover, has been the expansion by major hotel chains of conference facilities, reflecting the demand for smaller, more flexible meetings.

Thistle Hotels, for example, has moved to capitalise on this trend by setting up "private sanctuaries" within 14 of its leading hotels for executives to hold special meetings.

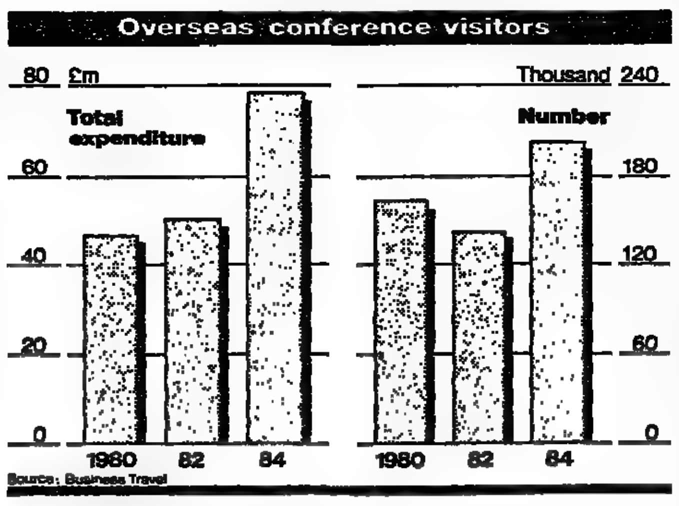
These facilities, termed "Boardroom" by Thistle, have been designed to keep in with the architecture of the hotel and are planned to accommodate groups of between 15 and 20 people.

Although the UK conference and exhibitions industry last year received a scare from the fears of North Americans to come to Europe because of terrorism, such concern is now seen as only a minor "hiccup" to the sector's continued growth into the late 1980s and beyond.

David Churchill

Provincial centres

Improving the welcome



BRITAIN'S PROVINCIAL cities, many of which have suffered big reductions in their industrial bases during recent years, all regard business travel as a vital economic growth point.

Cities throughout the country have launched marketing drives, and in many cases established special departments, to sell their rival attractions to the business traveller in a strongly competitive national and international market.

Much of the income generated from business travel is associated with the conference market, and the range of smaller business meetings held outside London.

Birmingham's drive to attract the business traveller is spearheaded by its internationally-famous National Exhibition Centre—one of the most extensively used exhibition complexes in Europe.

The 1.2m sq ft of exhibition space at the NEC, located on the outskirts of the city beside Birmingham Airport, will be increased by 20 per cent in 1989 to meet growing demand. A year later a £122m International Convention Centre will open in Birmingham City Centre. Alongside this Hyatt, a leading US conference hotel chain, is developing the luxury Hyatt Regency Hotel.

Another new hotel, the 215-room Copthorne, opened in Birmingham City Centre last month and a further six hotel projects are in the pipeline.

Birmingham Convention and Visitor Bureau calculates that business travel will be worth £250m to the area this year. It is a trade which has had a striking impact on jobs in the West Midlands—a region which suffered a severe decline in jobs when recession hit its staple engineering industry.

A study last year showed that about 70,000 jobs in the West Midlands are secured by tourism. Before the NEC opened it is estimated that this was fewer than 20,000—and possibly as low as 10,000.

Another study indicates that Birmingham's image as a business centre is also improving. Since 1982 there has been, according to the research, a 25 per cent increase in positive attitudes towards Birmingham.

The city came top of a list of locations regarded as good places for business meetings and conferences, and 60 per cent of those interviewed in the survey said that they had either held a meeting in the city during the previous 12 months, or intended to do so in the coming year.

But 100 miles away up the M6, Manchester is challenging hard to persuade Birmingham's conference-related business market to travel further north. The city's G-MEX centre opened last year, and officials say it is already attracting some business away from Birmingham and the big new conference and exhibition complex at Harrogate.

Much of Manchester's other business travel trade stems from its regional capital role in the North West. About 30 foreign banks have been established in the city during the past 10 years and it accommodates 350 international companies of varying sizes. An important asset for the city's business travel planners is Manchester Airport, from which 38 international carriers operate.

Like Birmingham, Manchester has a major hotel building programme in progress. About 1,200 new rooms will be added to the city's hotel stock this year.

Tourist officials believe the city's location half-way between the South East and Scotland makes it a natural centre for business meetings. They also regard Manchester's distance from London as an advantage—Birmingham, they say, is too easily visited on a day trip from the capital. Business visitors to Manchester, by contrast, tend to stay longer and invest more in the local economy.

Manchester's position as the centre of the business travel market in the North West is not unchallenged. A hotel improvement programme has also been taking place in Liverpool, and conference and exhibition facilities have been created in the city's award-winning Albert Dock development.

In Scotland, business travel and conference activities are important to the economies of the major cities of Edinburgh, Glasgow and Aberdeen and elsewhere. Hotels throughout Scotland give high priority to catering for all types of business meetings.

The Greater Glasgow Tourist Board, set up in 1983, has established a specialist marketing unit—the Greater Glasgow Convention Bureau—which is spending £575,000 promoting the area to the conference and exhibition industry at home and overseas.

Mr Eddie Friel, chief executive of the tourist board, says that in the past conference activities in Glasgow were not organised on a corporate basis. Various organisations involved tended to operate independently and this presented a fragmented approach to the market place.

The Greater Glasgow Convention Bureau would now offer a one-stop service for conference and exhibition organisers. "When conference organisers are considering Glasgow as a possible location they no longer have to engage in a massive paper chase to secure the information required."

Facilities offered by the bureau include venue selection, accommodation booking service, civic hospitality, social arrangements, tourist information and multi-lingual guides.

A survey carried out in 1983 on behalf of the Greater Glasgow Tourist Board showed that while business travel accounted for 73.7 per cent of hotel nights spent in the city, business visitors apparently came out of necessity alone. "The businessman coming to Glasgow stayed only as long as was absolutely necessary and then left by the first available means of transport, which was usually the London shuttle," says a board report on business travel.

Since then the tourist board has engaged in an extensive strategy to market some of Glasgow's attractions, in an effort to persuade visitors to stay longer and come more often. This has involved publicising the fact that Glasgow has some of the finest Victorian architecture in Europe, houses eight of Scotland's top 20 tourist attractions, and is the only British city except London to have four national arts companies—Scottish Opera, Scottish Ballet, the Scottish National Orchestra and the Scottish Theatre Company.

Equally importantly, the board has publicised Glasgow's international airport, its extensive range of hotel accommodation and its new purpose-built conference and exhibition centre and other venues.

Several major events during the coming years are set to increase Glasgow's share of the tourist market. Next year it will stage the Garden Festival, in 1990 it becomes European City of Culture and it has just been selected to stage the World Orchid Conference in 1993, in the face of competition from long-established conference cities including Frankfurt and Hanover.

Alan Pike

Keeping fit in the Champney way in London's Le Meridien, Piccadilly

Executive health

So many risks to be on guard against

Swimming pool and health complex in overseas hotel

FREQUENT business travellers are a blasé lot. Content to sink into their wider-than-average First or Business class airline seat, chauffeur-driven limousine and five-star hotel room, they believe a business briefing is all they need before arriving on foreign soil.

Wrong. If they believe this, coming back in the shape they arrived is likely to be more the result of luck than judgment. The ill-prepared traveller is likely to become a statistic, one of the 50 per cent of all international travellers who suffer health problems while abroad.

Travelling is bad for your health, particularly in countries outside North America, Northern Europe, Australia and New Zealand. Insect bites can give you malaria, sleeping sickness or typhus, contaminated food or water can bring on hepatitis or if you are unfortunate enough to get bitten by an infected mosquito, you could go down with yellow fever. This is not a pleasant condition to do business in.

More common, though, diarrhoea. Four out of every 10 international travellers contract it abroad, 30 per cent of whom will be confined to bed and another 40 per cent of whom will be so badly affected travel plans will have to be rescheduled.

Then, of course, there is the hazard of sexually transmitted diseases (STDs). Coming into contact with high risk individuals, such as prostitutes means STD often follows. Forget promiscuity if you want to guard your health and life, take up something safer, or as Mrs Edwina Currie, the UK Health Minister, advised, take your regular partner along for the ride if this is at all possible.

It is generally unwise to rely on your travel agent to advise you on health matters. They regard medical advice as the domain of a doctor, but you may find your local GP, too, is not conversant with all the tropical diseases that lurk in wait abroad.

Malaria may have struck 2,250 Britons last year but that is a small number compared with the number of *GPs in Britain* and other similarly-sized European countries. Doctors themselves can be innocents abroad too. There is the oft-reported story of the British Medical Association conference in Cairo, when a shipload of 100 doctors were gripped by diarrhoea.

Nor is it always wise to rely too heavily on overseas medical advice. A hotel doctor could prescribe aspirin for fever and *headache, not realising you are* suffering from early stages of malaria. So who can the business traveller turn to? The answer is nobody but himself. By far and away the biggest health hazard is accidents, which easily overshadow any exotic infection you may catch. According to Dr Richard Fairhurst, chief medical officer of Europ Assistance, business travellers "are under pressure to complete the business deal at any cost, to press on regardless with their itineraries, and to use dangerous short cuts to achieve results.

"Because of these pressures, and the absence of the usual constraints of home, family and work, many people behave in a quite reckless, and uncharacteristic manner while abroad, exposing themselves to risks they would never dream of taking at home."

Road transport accidents are the big killers; often from driving on the wrong side of the road or, as a pedestrian, looking the wrong way when crossing a road. Where possible therefore avoid putting yourself under the pressure which lead to such mistakes.

Diseases are preventable if the business traveller takes general precautions. The mandatory vaccine requirements are not enough as they only cover half a dozen diseases: hepatitis, polio, typhoid, tetanus, rabies and cholera.

The optional vaccines recommended by immunisation centres are for personal protection and should also be taken.

The other advice proffered to travellers, "Be careful with food and water" is worth following too, but rarely is.

"It's easy to be lulled into a false sense of security by being in a five-star hotel" cautions Dr Richard Dawood, editor of Travellers' Health: How to stay healthy abroad. "The disease-ridden flies don't know it's a five-star property and that they should stay away."

Has the chef washed his hands? It may be a prestigious hotel but it is still the locals in the kitchen. Has the food been refrigerated? And how do you know that the water used to wash the salad is safe?

Disease in the poor, hot countries is very much hygiene-related and there are simple ground rules to *follow*. *Select* dishes that have been handled the least. Food that has been well boiled, has come out of a packet or from a sealed can are best, but shellfish, vegetables, salad, fruit and rice are to be *avoided at all costs.*

Bottled or canned drinks bearing well-known brand names are safer than quenching your thirst with water, as one budget-conscious business traveller found to his cost when he opted for hotel tap water to take an aspirin with rather than splash out the £3 for a bottle of mineral water from his mini-bar. The same caution should embrace ice, ice cream and yoghurt.

But business travellers, it seems, do little to help themselves. "When eating on an expense account the temptation is to get your money's worth." Dawood believes. "It's a particularly British phenomenon to finish everything on your plate."

Accepting hospitality abroad is best avoided but diplomacy is needed. Outright refusal may spoil your chances of clinching the deal. Dawood suggests pleading illness first, as it's an acceptable excuse. He speaks from experience, having picked up amoebic dysentary as a result of accepting hospitality in West Africa.

One last piece of advice. It is wise to choose your travelling and business companions carefully as they may come in handy for the odd pint of blood should you need a transfusion. "Outside Western Europe, North America, Japan and Australasia, adequate facilities for screening donated blood for the AIDS virus, hepatitus, malaria and syphilis are non existent and people are often expected to find their own donor."

Gillian Upton
Deputy Editor Business Traveller.

* Travellers' Health published by Oxford University Press and now updated for 1987 (Paperback, £6.95).

Gadgets

For the hard-pressed

LIKE EVERY successful and surviving species Travelling Man has had to adapt to cope with modern times. In the days of Empire he could afford to travel with almost his entire household needs in tow. Leisurely ships and powerful trains, as well as a ready supply of those long-vanished luxuries, runners and porters, ensured that neither weight nor quantity was ever any barrier to a gentleman continuing to live exactly the ways he always had.

No matter how far-flung the corner, how inadequate the local corner shop or how unsuitable the climate, the trick for the classy traveller of old was to behave exactly as if he were at home.

Things are very different today. Today's Travelling Man has had to learn to travel light. Restricted for baggage, pressed for time, susceptible to back injuries, Travelling Man is endlessly balancing comfort, efficiency and necessity against lightness and portability.

Fortunately for our hard-pressed modern traveller new technology has come to his aid. Today he could travel around the world with some 20 different gadgets to help him on his way and still (if he could be disciplined enough with the drip-dry shirts and the changes of underwear) walk on board his jet with just a holdall in the hand.

The ingenuity of manufacturers to make every conceivable gadget in smaller and lighter packages seems to know no bounds. There is still no radio better for those marooned in foreign parts than the Sony IC 7800 but if you are not too fussy about reproduction and if you do not always insist on being able to get every available station then there is a host of credit-card sized radios to choose from—take the Sony FM/AM mini-radio. It comes with rechargeable batteries, costs just £49.95 and will fit into your wallet.

The alarm clock is an essential to the weary businessman who needs be awake for the business meeting he has come all this distance to attend—once upon a time he had to carry a little folding alarm clock. Today that, too, comes in a tiny package no bigger than a credit card and just for good measure most of them operate as calculators, too. Casio do a good one at just £29.95.

If our hard-pressed businessman is worried that he may sleep on he could opt instead for the Braun voice-controlled travel alarm clock. True, it is a little larger, being a small black square box, and true, it stops making a noise when you yell at it but snooze on and it will sound off every four minutes until you are finally obliged to wake up and switch it off. Most good electrical shops sell it for about £20.

Our baggage-conscious businessman would be wise to look for gadgets that combine more than one function—like the credit-card sized alarm clock that doubles as radio, there is also Seiko's RC1000 digital-watch-cum-travelling alarm-cum-computer terminal. When you're fixing deals out in Tokyo it can deliver up to you telephone numbers or diary dates from your desk-top or home computer. Buy it from Selfridges, London, W1, for about £120—it will work in with Apple, IBM personal computer, the Sinclair Spectrum, Acorn, Tandy 100 and Epsom's PX-8 computers.

If you really can't function if you're far from a telex machine, Ryan sell what they call the smallest telex in the world—the PX1000 measures just 224 mm by 85 mm by 29 mm, weighs 14½ oz and sells for about £460.

Similarly, the businessman who feels insecure when far from a photo-copier can now carry his own portable version around with him. It isn't, of course, as large or as useful as the heavy, office-based version, but for £329 it will photo-copy and print out information about as wide as a column of newspaper print. Find it in Harrods Audio and TV department.

If numeracy is not our hero's strong point then he might be wise to take with him the X-changer—a tiny little gadget it will obligingly translate pesetas into lira, yen into dollars or any other currency you feed into its clever little system. For just £4.99 it could save pounds on your bill.

The logistics of modern travelling, not to mention the decline in the standards of all but the very best hotels, has meant that many a modern Travelling Man's most pressing problem is . . . well, how to stay well-pressed.

Braun's hairdryer-cum-travelling iron costs just £15 and solves at least two problems in one—besides leaving your latest hair-cut looking smooth and efficient it can, if you add a special attachment to one end, turn into an iron of sorts. A good laundry will certainly do it better but this is better than nothing.

Security is increasingly a problem for our busy traveller and there is a variety of devices to help protect him and his valuables. Harrods sell a battery-driven burglar alarm called a Door Guard—attach it to your door handle and it gives a loud shriek if anybody should try to open the door (£7). John Lewis sells a stowaway hanger which sports a locked compartment where valuables can be stored (£23).

It also sells a shoulder wallet (you strap your money round your shoulder out of sight under your jacket) for £6.25, a leg wallet for £5.95 and a waist wallet for £3.55—you pays your money and you takes your choice.

Finally, our hard-pressed hero may well feel he deserves a treat, what with trying to be bright and punctual, efficient and creaseless he can afford to pack the odd luxury or two so treat him with an elegant little hipflask from Fast Forward of 14a Newburgh Street, London, W1—they do not come more beguilingly elegant and they'll cheer him on a cold and dreary day when the plane is delayed yet again.

Lucia van der Post

(هكذا من الأصل)

The US

Europeans seize their opportunity

AFTER PIONEERING bargain fares long before the present *moves in liberalisation for its* London-Dublin route, the second busiest in Europe, Aer Lingus, the Irish national carrier, has introduced programmes for first-class and business *travellers on its North Atlantic* routes.

The new competitiveness from foreign carriers hits US airlines when their own labour problems and wavering commitment to frequent-flier bonuses make them vulnerable to the incursions of imaginative appeals to business flyers.

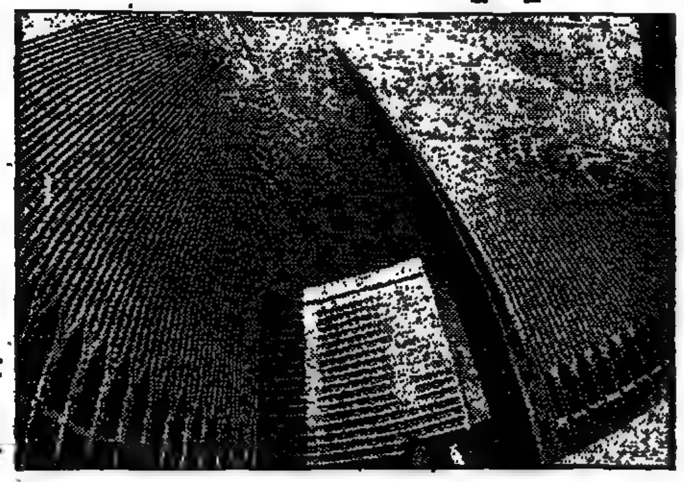
Aer Lingus business and first class fares are $400 to $600 cheaper each way on inter-continental flights, an advantage in particular for travellers going to destinations other than gateway European cities, since they would have to change planes anyway. The airline has also recently introduced its Emerald Holiday, an individualised package that, for less than a first-class New York-London return ticket, includes a week's stay at famous Irish destinations like Dromoland Castle and the hire of a Mercedes for the period. This takes advantage of a trend among American business travellers of combining pleasure with business, with nearly a third of all US travellers taking an average 3¼ days to a business trip for shorter but more frequent holidays.

Realising that travellers would want to stop in Ireland in only one direction, the airline has a co-operative arrangement with TWA for a direct return from London. Aer Lingus also provides co-ordinated schedules with domestic US carriers for 104 American cities, in addition to its own *flights from Boston* and New York.

Such programmes mark a new effort by international carriers to regain the initiative lost to the domestic carriers' frequent *flier bonuses, which, over the* past five years, have proved to be the most successful promotion in airline history. Now the international carriers offer frequent flier credits on domestic programmes, while *the domestic airlines are trying to raise the mileage for the frequent* flier bonus payouts, a withdrawal that indicates the cost of the promotion as travellers build up their mileage points. Airline revenues have even been affected by the press of travellers cashing in their bonuses before they expire.

Foreign airlines gained passengers last summer when the hijacking scare encouraged business travellers to avoid domestic airlines. The foreign carriers are making a concerted effort to keep the new clientele by adding convenience to the service and comfort that Americans feel they have been losing on domestic airlines.

The European carriers have been taking advantage of a contentious period in American airlines' labour relations by creating a business class where one might not have existed before and providing service that approximates first class travel. Even Malev, the Hungarian national airlines, has added a business class service for its European routes.



The Vista International Hotel offers deluxe accommodation in the heart of New York City's financial district and is located at the foot of twin towers of the World Trade Centre.

But US domestic airlines are fighting back with more of their greatest selling point, convenience. With American travel to Europe expected to increase by at least 10 per cent over last year, more airlines want to break into the European market and so provide inter-continental service from more American destinations to more European ones.

American Airlines flies to Europe from hubs in Dallas/Forth Worth, Chicago and Raleigh/Durham and now goes to Dusseldorf, Munich, Paris and Tokyo. Picking out-of-the-way hubs like Raleigh-Durham eases the congestion at major airports, which have been increasingly taxed by the number and scheduling of the airlines.

Government efforts to co-ordinate traffic have been thwarted by the lack of co-operation of some carriers, which persist in overloading take-offs and landings at the busiest times of day.

Such fear of losing competitive advantage has a healthier side. The American carriers are also using increasingly sophisticated computer models to structure *fares to minimise empty* seats throughout the day, particularly on domestic flights. The mix is different on every flight, even for the same destinations in an effort to accommodate every full-fare business flyer while filling the rest of the plane with discount or coach travellers.

Much of the attraction of adding European flights comes from the perception that with the fall in the value of the dollar, American businessmen will be travelling abroad in search of new markets. If Americans need to travel more just when they can afford it less, Inter-Continental Hotels is offering a "Summer Sale" of reductions of up to 60 per cent in 30 of their European hotels with rates guaranteed in US dollars. Georgetta Lordi of Inter-Continental recognises that the guaranteed rates "is a risk, but we are taking it because we are committed to encourage travel and be part of the trend to lure Americans back to Europe." Already, 5,000 room nights have been booked for the sale, which is available in the months of July and August only.

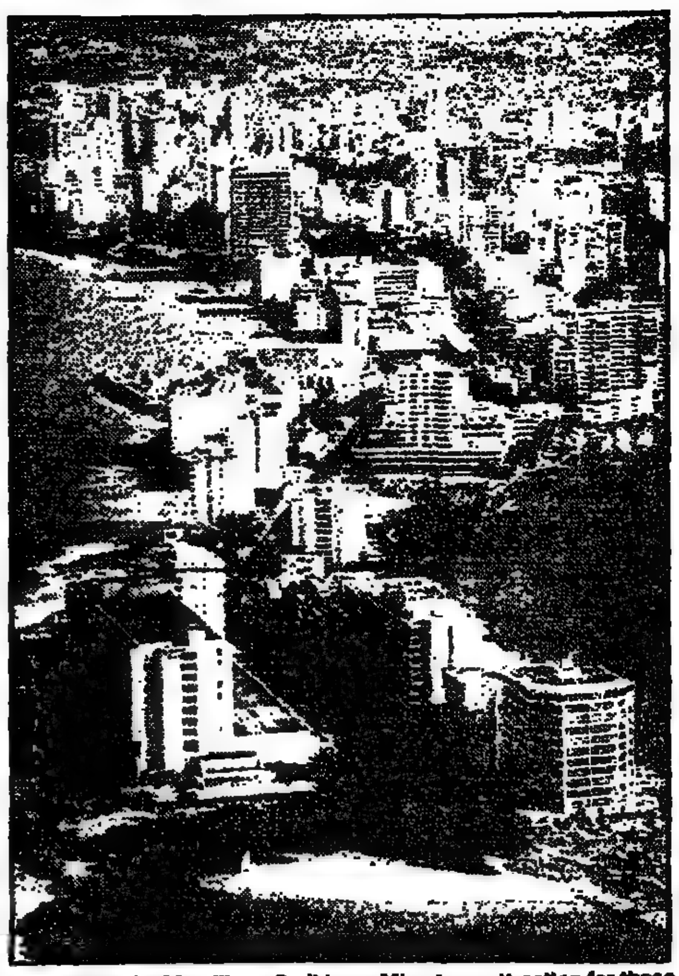
Amid the bargains, Americans are having to be far more cautious in selecting among the available options. When airlines introduced sharply reduced *fares* this spring, they contained a new, no-cancellation proviso so that missing the flight meant losing the ticket altogether. Similarly, car hire has become a far more complicated *exercise* especially with regard to collision damage insurance.

The automatic coverage for hired cars used to force the customer to pay the first $500; *now the companies have* boosted the deductible to $3,000, which forces more people to pay as much as an extra $9 a day for total coverage.

At the same time, insurance on one's own car may cover an accident in a hired car and some credit cards also cover the deductible on car-hire insurance. Such complexities may not have been worth sorting out for $500, but suddenly need to be *known about for* a $3,000 liability.

As Europeans face increasing liberalisation of their airlines, they too will face confusion and *a multitude of choices* for each travel decision they make. Despite the dilemmas forced on travellers, they at least have the chance to make a decision more tailored to their needs, as air*lines, hotels and car hire* companies pick niches to serve smaller numbers of travellers better.

Frank Lipsius



Puerto Rico looking like a Caribbean Miami: an attraction for those taking advantage of an increasing opportunity to combine a business and a pleasure trip.

Trends in Business Trips

	1982	1983	1984	1985
Average nights per trip	4.1	4.0	4.5	4.5
Average miles per trip	1,000	1,030	1,000	1,180
Used an airline	35%	48%	43%	44%
Trip included vacation	14%	9%	11%	13%
Travelled over a weekend	23%	17%	15%	21%

Source: US Travel Data Center's National Travel Survey

Profile: Cathay Pacific

Favourite of the cognoscenti

BRITISH AIRWAYS *may prefer* to be known as the world's favourite airline, but there is little doubt that Cathay Pacific ranks as one of the world's most successful airlines—it has made *a profit for most of its 40 years of* operation.

Cathay, moreover, has become a particular favourite with business travellers to Hong Kong and the Pacific Rim countries. *Not only did Cathay pioneer* non-stop flights from London to Hong Kong in 1983—subsequently copied by both BA and British Caledonian—but it was also the first airline to operate a specialist *in-flight* audio programme aimed at business travellers.

Mr Steve Harvey, chief executive of In-Flight Radio who produce the business programme, says that *it is listened* to by a quarter of the passengers on a typical flight. "Both British Caledonian and British Airways now have similar programmes," he adds.

The business class on Cathay—called Marco Polo—has alone won a number of travel trade awards for its level of service.

Even for the non-business *traveller, Cathay is ranked* highly. Subscribers to Holiday Which? magazine earlier this year voted Cathay as its favourite airline after the Wardair charter carrier.

Cathay was formed in 1946 by two former wartime pilots—an Australian, Mr Sydney de Kantzow, and an American, Mr Roy Farrell—and has grown from a small pioneer charter airline flying surplus DC-3 Dakota aircraft out of Hong Kong into a major international carrier. It now operates almost 500 flights a week to 37 cities in 25 countries, ranging from London and Tokyo through to Rome, Paris, Amsterdam, and San Francisco—all destinations introduced over the past year.

The Swire Group, together with Australian National Airways, secured a major *holding* in the company in 1948, and Swire interests have provided the management ever since. Swire itself has been operating in Asia and the Far East for more than a century. *Its experience* has helped Cathay substantially in its development over the past few decades.

Eventually Swire gained a 70 per cent stake in Cathay, with the remaining 30 per cent held by the Hongkong and Shanghai Bank.

In April last year, however, some 15 per cent of Cathay's shares were offered for sale to the public on the Hong Kong exchange—with the flotation oversubscribed by a record 56 times.

Earlier this year the Beijing-based China International Trust and Investment Corporation (Citic) took a 12.5 per cent stake in Cathay Pacific—a move widely seen as strengthening Cathay's position in advance of the return of Hong Kong to China in 1997.

But it is unlikely that the Chinese authorities will make a bid for the whole airline. *One of Cathay's strengths is the fact* that it has not been fettered by being a government-owned national airline.

Mr Rowland Cobbold, Cathay's marketing director, is *in a unique position to confirm* this. He spent some 14 years with BA until joining Cathay in 1980. "The management and staff at Cathay are all very committed to the success of the airline because we have to compete to survive," he maintains.

Mr Cobbold and his colleagues have long realised that the business traveller is a vital part of the airline's success. As the gateway to China and the Pacific Rim countries (Thailand, Malaysia and the Philippines), Hong Kong was clearly destined to become increasingly important for business.

Cathay was one of the first airlines to introduce the Super 747-300 aircraft with an extended upper deck. This deck is used for economy class passengers, enabling the business class to be extended to take 86 seats instead of the more normal 40 seats on the older aircraft.

At present, the 300 aircraft with the extended business class cannot be used on the non-stop flights—but from next spring Cathay will be able to achieve this when it takes delivery of its first Boeing 747-400, which will allow flights of 16 hours with a full payload.

David Churchill

Bank gold card services

Bank	Charge card	Qualifying gross annual income	Standard overdraft limit	Overdraft interest	Joining fee	Annual subscription	Additional card
Adam & Company Gold Card	VISA	£30,000	£10,000	2½% over base rate	None	None	No charge
Bank of Ireland Gold Card	American Express	£25,000	£10,000	2½% over base rate	£20*	£50	£25 p.a.
Bank of Scotland Premier Card	VISA	£15,000	£10,000	2½% over base rate	£10	£35	£10 p.a.
Barclays Premier Card	VISA	£20,000	£7,500	2½% over base rate	£10	£40 (£35 if paying by direct debit)	£10 p.a.
Coutts Gold Mastercard	Mastercard	£30,000	£10,000	2½% over base rate	None	£60	No charge
Grindlays Gold Card	American Express	£25,000	£10,000	2½% over base rate	£20*	£50	£50 p.a.
Lloyds Bank Gold Card	American Express	£25,000	£10,000	2½% over base rate	£20*	£50	£50 p.a.
Midland Gold Service	Mastercard	£25,000	£10,000	2½% over base rate	£10	£40	No charge
NatWest Gold Plus Service	Mastercard	£20,000	£10,000	2½% over base rate	None	£50 (£40 if paying by direct debit) Waived in first year	No charge
Robert Fleming/ Save & Prosper Premier High Interest Bank Account	VISA	£25,000	Up to £10,00 after one year qualifying period	4% over LIBA gross compounded annual rate	None	None	No charge
Royal Bank of Scotland Gold Card	American Express	£25,000	£10,000	2½% over base rate	£20*	£50	£25 p.a.

* Waived for existing American Express cardholders.

Source: Save & Prosper Guide

Paying the bill

Plastic cards are doing nicely

EVEN THE most experienced business executive would not be foolhardy enough to pontificate on the best way to take money abroad. His advice would be to join the belt and braces brigade and always have alternatives.

The range of instruments in the way of credit cards and travellers cheques is ever widening and to attract the in-house travel and entertainment department of a company or the executive, who leaves it to his secretary to make his or her travel arrangements, special inducements to use a particular credit card or traveller's cheque are constantly being introduced.

It doesn't need much sophistication to know what currency is needed for Spain or France but travelling to Swaziland, the Seychelles or Surinam needs a little more thought. So Thomas Cook Financial Services, the providers of the world's largest range of travellers cheques, entices with a world-wide currency guide.

It provides easy at-a-glance references for even the most far away places, listing in order of preference, the recommended travellers cheque currency for each country.

But just how do UK companies provide the travel and entertainment expenses for the nearly £20bn now being spent? A report by American Express recently completed and soon to be published has looked at the methods of payments among Britain's top 100 companies and finds that cards come out on top for the travelling executive.

Some 70 per cent of companies issue cards of which 73 per cent are American Express and 81 per cent issue travellers cheques and 78 per cent some form of cash advance. But travellers cheques and cash advances are seen as being used to supplement cards rather than to replace them.

Considerable funds are available through the use of bank gold card services, the vast majority of them offer a standard overdraft limit of £10,000. Gold cards offered by American Express, Visa and Mastercard provide a range of other benefits such as free travel accident insurance and an easy way to replace lost cards.

For travellers in Europe the system of eurocheque is widely in use but no figures are available to show how much use is made of it for business travel specifically. Its availability in 15,000 banks with some 210,000 branches means nearly every bank branch in 40 countries in Europe and the Mediterranean, does, however, offer a cash advance service to nearly 40m European bank customers.

Its services, too, are constantly being extended. The most recent countries to open up their retail sector to eurocheque customers were Hungary and Tunisia and were followed on March 1 by Greece.

The maximum guaranteed amounts are not as large as the gold card facility and for the average user is linked to the equivalent of SFr 300, the Swiss franc being used because of its stability.

For the businessman flying around Europe a great deal of effort is being made to woo him with credit cards. British Airways estimates that credit cards ticket sales currently represent about 25 per cent of BA's worldwide ticket sales and that figure does not fluctuate greatly from country to country. But in the US it can run as high as 50 per cent.

Business centres

The world's 20 dearest places for the business traveller

		Daily cost £			Daily cost £
1	Tokyo	192	11	Amsterdam	129
2	Stockholm	158	12	Kingston, Jamaica	127
3	Baghdad	157	13	Kuwait	126
4	New York	155	14	Khartoum, Sudan	125
5	Helsinki	146	14	Port Moresby, Papua NG	125
5	Oslo	146	16	London	123
7	Geneva/Zurich	142	17	Frankfurt	122
8	Copenhagen	135	18	Muscat, Oman	119
9	Paris	134	19	Douala, Cameroon	118
10	Milan	132	20	Bahrain	117

Employment Conditions Abroad Consultancy

That is why the airline and 12 other European airlines have launched the AirPlus card, designed solely for corporate use by limiting its use solely to areas of business expenditure. It can be used for restaurant bills, rail tickets, hotel bookings and will even provide cash advances but it won't be accepted outside the business environment which may be a little hard to define when it comes to business entertaining. And if it happens to be in Tokyo, the world's dearest place to visit on business—the daily cost is about £200—the executive had better be metaphorically wearing his belt and braces.

Arthur Dawson

Chinese banquet in the restaurant in Hong Kong's Mandarin Hotel.

Profile: Mandarin Hotel

Top places for top people

THE MANDARIN HOTEL in Hong Kong and the Oriental in Bangkok are two of the world's famous and most exclusive hotels—attracting the top echelons among the international business traveller fraternity.

Yet this month sees a radical new development which could affect the fortunes of both these top hotels: the first Mandarin hotel in the US is being opened on the top floors of San Francisco's third tallest building.

The move, if successful, could spearhead futher openings in the US and Europe of both Oriental and Mandarine clones, aimed at attracting the top business traveller.

"In five years time the Mandarin Oriental group will operate a portfolio of between 15 and 20 grand luxe hotels in key gateway cities worldwide," maintains Mr Peter Tyrie, the 40-year old managing director of the group.

"We are currently looking at such cities as Seoul, Taipei, Tokyo and Sydney in South East Asia; New York, Washington, Chicago, Los Angeles and Toronto in North America; and London, Paris, and Frankfurt in Europe," he says.

Apart from the new San Francisco Mandarin, the company has already opened a new Oriental hotel in Singapore earlier this year. "I would like to see the opening of two hotels a year for the next five years, mainly through acquisition and refurbishment of existing hotels," adds Mr Tyrie.

Such moves might seem like heresy to the business travellers (who account for at least 60 per cent of the two original hotels occupancy rates) who are unstinting admirers of the high level of service at the Mandarin and Oriental hotels. Might such expansion, they ask, possibly devalue the world-famous product?

Mr Tyrie, not surprisingly, is convinced that it is possible to recreate the Mandarin and Oriental atmosphere throughout the world.

Since joining the Mandarin and Oriental group last June, he has brought in new computer systems, reduced central management levels, and brought in a team of newcomers to help him revamp the entire operation.

His new broom has mainly been behind the scenes—to the relief of his hotels' admirers—although he has introduced such changes at the Hong Kong Mandarin as insisting that the staff have name badges instead of anonymous numbers.

But Mr Tyrie's immediate objective is getting the group ready for its demerger from the Hong Kong Land company, its immediate parent company, and its subsequent public flotation.

"The Hong Kong stock market cannot but benefit from the introduction of a new blue-chip stock with a household name, while the hotel company's performance should be enhanced by more direct management accountability to shareholders," explains Mr Simon Keswick, chairman of Jardine Matheson (the ultimate parent company).

Although the Oriental in Bangkok has been the haven of wealthy travellers for over a century, it has only been managed by the Mandarin Oriental group since 1975.

It was in 1963, however, that the Mandarin was opened in a rather unprepossessing building on Hong Kong island. It has some 545 rooms and suites and three top-class restaurants.

At present, the hotel is going through a two-year renovation programme costing more than HK$100m. This summer the hotel's front facade and lobby are also to be remodelled at a cost of HK$5m.

"In today's competitive market not only must the service be of the highest standard, but so must the rooms," explains Mr Tyrie.

The Mandarin does not like taking on large groups of business travellers—for which it does not have the facilities—but prefers to be the luxury home for the senior executive travelling independently. "Although we are very interested in developing our incentive travel business for individuals," admits Mr Tyrie.

Although the group is looking hard for a suitable site or acquisition in London—the former offices of the Greater London Council has been mentioned as a possibility—it may be towards China that Mr Tyrie also turns his attention.

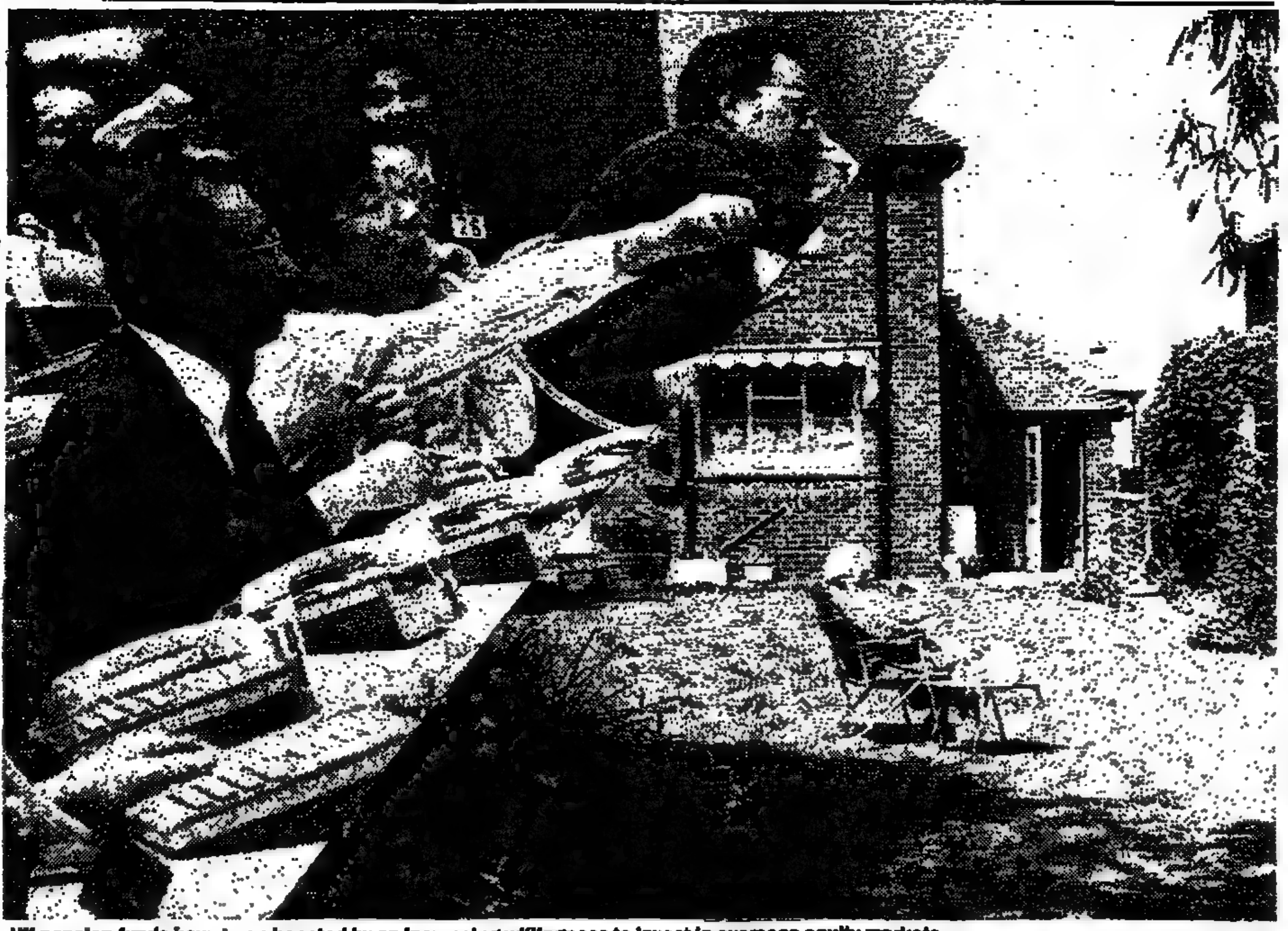
With the return of Hong Kong to China in ten years' time, Mr Tyrie and his colleagues are considering developing a chain of hotels—probably under the Excelsior brand name—in major Chinese cities. Perhaps the Mandarin, Beijing, may not be too far off after all.

David Churchill

FINANCIAL TIMES SURVEY

CONTENTS

Pension Fund Investment



UK pension funds have been boosted by an increasing willingness to invest in overseas equity markets

The hazards of overfunding

Five extraordinary years have seen the growth of funds' assets far exceed the growth of liabilities, writes Investment Editor **Barry Riley**. Yet there is unease among managers who, as long as they fail to match the indices, are vulnerable to competition from index-matching products and independent firms.

PENSION FUND management for UK company schemes is now a £200bn business, and one that has been enjoying an unprecedented run of success.

Over the past five extraordinary years the annualised rate of return on the aggregate funds monitored by the biggest performance measurement service—that operated by the WM Company—was 21.7 per cent (including property, which dragged down the overall growth from the 24.2 per cent that was achieved in other market).

The second largest service, the combined actuarial operation (Caps), reports a median return of 22.8 per cent for the same period.

What matters is not the absolute figure, but how it compares with the growth of the liabilities of the funds, which in almost all cases pay benefits linked to final salaries.

Over the same five-year period the growth of average earnings has been running at 7.7 per cent a year, leaving a huge margin by which the growth of assets has been exceeding the growth of liabilities.

However, these excellent returns are not necessarily a source of satisfaction to managers. *The buoyancy of investment markets has made the* funding of pensions liabilities a very wise policy. But although fund managers may try to bask in the reflected glory of the prolonged bull market, they are more suitably judged by their performance against the relevant market indices, not by absolute returns.

According to Caps, the median UK equity fund underperformed the FT-Actuaries All-Share Index, the best measure of the broad UK equity market, by a full percentage point last year (though up to half a point of the shortfall can be explained by technicalities, relating to the way that major new issues, like TSB and British Gas, were introduced into the Index).

So long as majority of investment managers find it hard to match, let alone beat, the indices, *they are vulnerable to the* competition of index-matching products, which seek to achieve limited but carefully defined objectves at relatively low fees. objectives at relatively low fees.

Meanwhile, a growing group of independent fund management firms has sprung up to challenge the domination of the established merchant bank-based managers, who have been *in the ascendency over the past* 10 or 15 years.

The independents—which range from long-established investment trust management companies to newly created or spun-off investment boutiques—now manage about 9 per cent of the assets of UK pension schemes, though their portfolios tend to be comparatively small.

While the volume of investments of pension funds continues to rise, room is created for the increasing number of external managers.

This is still more true when some of the big internally-managed funds are finding it difficult to sustain the quality of their in-house management teams and are hiring outside *managers. British Rail and* Unilever both externalised their investment management last year.

But on an underlying basis the market is scarcely growing. Many schemes are overfunded, and have cut back their contributions. If there were a bad year for the investment markets there would be nothing to prevent a fall in overall values, and fund managers' fees—which are calculated on the basis of a percentage of portfolio values—would decline.

Already, many managers have been trying to persuade their pension fund clients to accept higher fees, to reflect the structural changes in the stock market in the past year. The *merchant banks, in particular,* have been trying to replace the income from commission-splitting which, after Big Bang, is no longer practicable.

Increasingly, the true costs of pension fund management are coming out into the open. This means that pension scheme trustees will be alerted increasingly to the possibility that different services can be "unbundled." They may want to encourage the growth of specialist providers of services, of the kind that are already common in the US.

But while the pension funds grapple with the implications of the City's Big Bang, the focus of change has already moved on elsewhere.

Government legislation is triggering upheavals for pension funds in two other respects.

For one thing, the Financial Services Act is ushering in a new era of regulation of the investment industry. That is requiring a highly detailed response.

For another, the encouragement of personal pensions raises a question mark over the durability of the conventional corporate pension schemes. External fund managers need to have diversification plans ready.

Nearly all corporate schemes are now based upon final salary-linked benefits, with implications for the type of investments that are appropriate to match such liabilities. This has drawn managers to equities, and to other equity-type assets, notably property.

Short-term fluctuations in the value of such assets are less important than their proven ability to match inflation over the very long term, whereas to fund through fixed income bonds would be to introduce a *fundamental mismatch into the* asset/liability structure.

Even with final-salary schemes, however, there may well be substantial numbers of deferred pensioners within the scheme, whose benefits are not fully protected against inflation; and it may make sense to fund these liabilities in a different way.

The possibility now is that many employers will offer alternative money-purchase schemes, where the benefits would be linked to the returns actually achieved—in the same way as for fully portable personal pensions.

Such money purchase schemes need to address the problem of high volatility, which a corporate final salary scheme can cope with, but which could be dangerous for an individual unlucky enough to find the equity market at a low ebb on his retirement day. Some method of limiting the downside risk needs to be adopted.

Fund managers are now assessing the implications of splitting existing pension portfolios into final salary and money purchase funds, and how this might affect the risk profile to be adopted. At this stage, they do not envisage serious problems.

What is more threatening to their own commercial future, however, is the possibility that large numbers of occupational scheme members might opt for personal pensions—especially the younger employees whose contributions are so important in swelling the volume of funds.

Mass defections do not seem likely at this stage, but fund managers will want to consider ways of maintaining their volume of funds under management should personal pensions for employees achieve a significant impact.

Some managers already have unit trust and life assurance arms, which sell into the self-employed personal pensions market; *but even a group as* large as Mercury Asset Management does not market personal-pension products at this stage. Such groups can be expected to reposition themselves for the new market opportunity.

As for the Financial Services Act, the Investment Management Regulatory Organisation (Imro) is currently gearing itself *up to commence operations*, and the pensions industry will represent a large part of its supervisory territory.

Specifically, the new rules are likely to force a more careful division of responsibilities between trustees and investment managers, especially in small funds, where the lines of authority have often been ill-defined.

Regulation of pension fund management has been almost non-existent in the past; and, while the sector has a strong enough professional infrastructure to prevent serious abuses, a good deal of slackness is evident.

Disclosure of the true level of income enjoyed by external fund managers from running pension scheme portfolios remains poor.

Imro's rules appear to be quite tough, with insistence on full discloure of all charging arrangements, and a ban on controversial practices such as the "late booking" of bargains. But it has yet to be seen how these rules will be interpreted in practice.

One area to which the new regulators might turn their *attention* is *performance* measurement, the objectivity of which can all too often be called into question.

This is because good performance figures have become vital marketing pre-requisites for investment managers who hope to win contracts at competitive "beauty contests."

But whether by being selective about which funds are *included, or by picking periods* of measurement carefully in order to give the most favourable impression, nearly all managers appear to be able to claim to be above average.

This is a comparatively minor distortion, and one that can easily be seen through by most advisers and trustees, but it is symptomatic of the kind of subtle device that the new regulators will be required to eliminate.

Competition

Selection procedures let in the independents

IN TWENTY years the management of company pension funds has changed from being one of the City of London's cosiest businesses to one of its most competitive.

One leading manager, bidding for a recent contract, found that he was one of 70 applicants, of which 68 claimed to be first quartile performers—that is, they had achieved results in the top 25 per cent of all funds assessed by leading performance measurement services.

The biggest funds are now aggressive enough to ask prospective management firms to compete on price, and to come clean on all the little extra sources of revenue that have bolstered fund management profits in the past.

This is a sign of the growing maturity of the pensions industry. In its early days management tended to be dominated by the insurance companies, with a pooled-fund approach and high charges.

In the 1970s, however, the merchant banks came to dominate the field, aided by strong corporate connections and a willingness to provide a comprehensive service which could, however, be tailored to the requirements of individual clients. Competitive bidding was rare.

In the 1980s, a number of other contenders have entered the fray, seeking a share of a market which has been expanding rapidly and has proved unexpectedly profitable for the merchant banks.

Several independents, such as Henderson Administration, Fidelity, MIM and Murray Johnstone, all originally investment trust and/or unit trust managers, have been winning a lot of business.

In one respect, competition has diminished a little. The stockbrokers have disappeared as a separate force, apart from Cazenove which—for the first time—is disclosing the scale of its UK pension fund business—the management of £1.67bn for a total of just over 60 clients.

Phillips & Drew remains a powerful competitor, but is now run entirely separately from the stockbroking business. Otherwise, the leading brokers active in pension fund management, such as Grieveson Grant and De Zoete & Bevan, have been absorbed into the fund management departments of their new banking parents.

The fresh source of competition, however, is a group of independents, some of which are new to the pension fund field. These include further investment trust management companies, one or two of which are spun-off in-house pension fund managers now looking for external business.

Curiously, the Prudential is the only insurance company to make any kind of showing in the segregated management business. It scored notable successes in the British Rail and Unilever "beauty contests" last year.

Otherwise, insurance companies appear to have stuck to their traditional type of business, or perhaps have simply been unable to deliver the kind of performance required.

The rise of the independents reflects the development of a selection system that allows them to compete. Whereas, 20 years ago, merchant banks or stockbrokers were chosen behind closed doors because they had corporate connections, today the procedure is entirely open.

According to Mr David Duncan, of Schroders, more than 90 per cent of references now come from intermediaries, either consulting actuaries or benefit consultants. In the course of a year, leading management houses such as Schroders have to fill in up to 100 different questionnaires, sometimes running to 16 pages and 70 separate information requests. This is not a chore which can be delegated to juniors, because the answers may need to be subtly modified to suit particular requirements.

The fund managers are not always happy with the demands. "There is an undue amount of attention being paid to the role of individuals," complains Mr Duncan.

For less well-connected firms, however, there is an opportunity to break into the market by establishing credibility with the consultants, and thereby getting on to short lists for selection.

But this is no easy path. Mr Joe Scott Plummer, of Martin Currie, grimly toured the circuit for years before breaking through. "People were interested, and beginning to listen to the story, but we were always coming second," he says. "Then suddenly it began to come right."

Martin Currie actually found it easier to break into the US Erisa (Employment Retirement Income Security Act) market for international funds, helped by the fact that US pension fund trustees are more accustomed to appointing boutique-type managers.

Behind Martin Currie many others are following. For instance, John Govett, best known as an investment trust house, has brought in Mr Robin Berrill as sales director to promote the pension funds side. Now recognised on a more clearly defined basis, it at present runs some £300m.

After bringing in the WM Company to authenticate some impressive performance figures, he has toured 60 offices of some 30 different consultants as part of the process of what he describes as "selling the Govett name and the Govett product."

The most assiduous cultivation of consultants, however, can get the applicant no further than the short list of four or five. There will still be the need to convince the trustees, who increasingly these days are primed with questions based upon bitter experience.

So fund managers are finding an increasing proportion of their one-hour time-slot devoted to questions, with perhaps only 20 minutes allowed for their prepared presentation.

Despite the greater knowledge displayed by trustees these days, such beauty parades are inevitably hit-or-miss affairs. First impressions may relate more to appearances than ability to make complex investment judgments.

Yet it is dangerous to rely too much on slick marketing men. Trustees can react negatively to the hard sell approach, and they will certainly want to meet the manager who will actually be in charge of the fund. They will also want assurances about continuity.

One of the main selling points for many of the smaller independent management firms is precisely that they can offer an individual relationship. The big merchant banks can provide comprehensive expertise and worldwide networks, but it can be hard for them to keep sending a familiar face every quarter.

Barry Riley

Leading Pension Fund Managers

	Value of funds 1986 (£m)	1986 (£m)	% change	Number of clients 1986	1985	% change
Mercury Warburg Investment Mngt.*	12,800	8,300	54.2	435	365	19.2
Robert Fleming Invest. Mngt.	8,800	5,143	71.1	†138	123	12.2
Barclays de Zoete Wedd Invest. Mngt.‡	7,921	5,487	35.5	107	99	8.1
Schroder Invest. Mngt.	7,800	6,250	24.8	146	135	8.1
Phillips & Drew Fund Mngt.	7,492	5,160	45.2	165	150	10.0
County Invest. Mngt.§	6,496	3,402	90.9	101	78	29.5
Morgan Grenfell Invest. Mngt.¶	6,165	4,635	33.0	153	147	4.1
Prudential Portfolio Mngrs.	‖4,143	‖3,231	28.2	23	19	21.0
Baring Invest. Mngt.	3,527	2,352	50.0	91	71	28.2
Lloyds Invest. Mgrs.	3,132	2,821	11.0	36	31	13.9
Henderson Pension Funds Mngt.	3,065	1,800	70.3	150	113	32.7
Kleinwort Grieveson Invest. Mngt.**	3,006	2,853	5.4	141	139	1.4
N. M. Rothschild Asset Mngt.	2,980	2,479	20.2	84	76	10.5
Midland Montagu Fund Mngrs.††	2,439	2,093	16.5	19	14	35.7
MIM#	1,900	1,350	40.7	98	70	40.0
Hill Samuel Pens. Invest. Mngt.	1,847	3,300	−44.0	§§69	152	−54.6
Fidelity Intl. Invest. Advisors (UK)	1,845	1,210	52.4	38	31	22.5
Hambros Bank	1,754	1,393	25.9	38	27	40.7
Murray Johnstone Pension Mngt.	1,700	1,172	45.1	45	35	28.6
Cazenove	1,674	1,350	24.0	63	61	3.3
Lazards Investors	1,576	1,280	23.1	46	46	0.0
Charterhouse Invest. Mngt.¶¶	1,400	1,180	18.6	48	44	9.1
Legal & General Invest. Mngt.	1,292	1,488	−13.2	45	51	−11.8
Touche Remnant Pension Fund Mngt.	1,100	1,005.5	9.7	36	33	9.1
Geoffrey Morley & Partners	1,000	981	1.9	37	30	27.3

* Includes clients in Managed Fund Service (1986 figures). † Includes clients gained in 1986, but whose assets were transferred at the beginning of 1987. ‡ Barclays Investment Management merged with de Zoete and Bevan's Pension Fund Department in October 1986. § In addition, advised funds amounting to £3.407m in 1986 (£2,600m in 1985). Includes figures for Fielding, Newson-Smith incorporated into County in June 1986. ¶ Includes 1986 figures for Pember & Boyle. ‖ Includes Prudential Staff Pension Fund. ** Kleinwort Benson and Grieveson Grant merged during 1986. †† Institutional investment arms of Midland Bank and Samuel Montagu & Co merged in 1986. # Acquired in 1986 by Britannia Arrow Holdings plc, and merged with its UK investment operation. Britannia managed 13 pension funds clients with assets of £70m, and these are incorporated in MIM's figures as at December 31 1986. §§ Excludes clients now managed in comingled vehicles post-Big Bang. Figures for 1985 and 1986 are not comparable. ¶¶ Part of Royal Bank of Scotland Group. Undertakes all its investment management activities.

Research: Jan Schling

Profile/Hill Samuel PIM

Specialist services point the way

CAN MARK Henderson reverse the slide at Hill Samuel Pensions Investment Management?

Last year Mr Henderson rose to the managing director's spot as a result of upheavals in the group's pensions investment subsidiary, following serious client losses because of poor investment performance in 1984, 1985 and early 1986.

The most damaging individual setback was the loss of £1.2bn of the British Rail pension scheme's money, but many other clients also pulled out as Hill Samuel felt the full blast of the intensified competition in the pension fund management industry.

"We recognise that the problem lay in below-average UK equity stock selection," says Mr Henderson. Curiously, the international equity performance was good — in the top decile. And Hill Samuel's unit trust management team, led by Howard Maguire, had not suffered the same problem.

Apart from appointing Mark Henderson from within, Hill Samuel also brought in David Barker, from Norwich Union, as his new superior, in the post of managing director of Hill Samuel Investment Management.

Last July, too, Mr Maguire was given additional responsibility for directing the management of pension funds' UK portfolio.

The new formula appears to have shown results in the past couple of quarters, but it is early days, and the marketing consequences of the recent performance problems will persist for several years.

"It would be unrealistic to go out actively marketing a balanced portfolio service," says Mr Henderson. "We are marketing the things that we have done well in the past three years, and also new products."

Specialised services include international products, such as a European fund, and there is a UK small companies fund, another specialist area where performance has been good enough to be marketable.

Hill Samuel is also moving into the quantitative area, including index funds. But Mark Henderson is not concentrating just on index tracking. "We want to take the quantitative technique and apply it to active management rather than passive management," he says.

This has drawn HS to the area of tilted portfolios, where it has been experimenting internally with a number of success factors, used to select portfolios in conjunction with a database.

This work has not yet been put into practice, but HS is at the stage of talking about the product to a number of major clients.

"We now offer a whole range of specialist services," says Mark Henderson. "I think it is the way the industry is going."

Yet the team at Hill Samuel Pensions Management is also keenly aware that it must focus upon the needs of its remaining balanced clients, who remained loyal through the bad times and will expect redoubled efforts.

With the reserves of client goodwill being tested, HS cannot afford to neglect its existing client base in the pursuit of what, in the short run, may be more promising growth areas.

That is the challenge facing Mark Henderson. He aims to whether the crisis. "We will be back in the balanced business in a year or two," he promises.

Barry Riley

Profile/Mercury Warburg IM

'Benefits of being large have risen'

DESPITE THE rise of the independent pension fund managers, Warburg remains king. In the past year Mercury Warburg Investment Management has consolidated its position at the head of the pension fund management league table, bolstered by around £500m of funds previously managed separately by stockbrokers Rowe & Pitman, now also part of the Mercury International group.

A highly professional service and some impeccable investment performance figures lie behind MWIM's success. During the past five calendar years its returns have beaten the WM Company's average by between 2 and 4 per cent each year.

In 1986, for example, the total return on UK pension fund assets under management was 26.5 per cent, against 22.9 per cent for the industry average.

"There is no magic formula," says David Price, joint chairman of MWIM and deputy chairman of Mercury Asset Management. "You have to add value at each level of decision making." But overall asset allocation decisions, he suggests, have always been a very important factor in MWIM's success.

In the past year, for instance, the decision to stick with the Japanese equity market has paid off for clients, at a time when most British managers have pulled out.

The Big Bang changes in the London markets might have been expected to work against the big merchant banking groups, which had profited from the old commissions structure, but David Price says he is surprised that so few independents have taken full advantage of the new situation.

In other ways, he suggests, "the benefits of being large have actually increased in the past few years. You need expertise in all world markets if you are to provide a balanced service." Mercury is big enough to run its own investment office in Tokyo, for example.

And somewhat unexpectedly, Big Bang has helped the big managers by increasing the liquidity of the London equity market, in particular by allowing whole portfolios of £50m or more to be sold quickly as "basket trades."

Nevertheless MWIM recognises that the structure of the pensions management market in the UK is moving towards greater specialisation. Besides its basic balanced service, it is now offering specialised management of equities for Japan, Continental Europe and the UK.

"We have quite a lot of clients for these services, but fewer than we might have expected," says Mr Price.

The big event for MWIM recently has been its separate flotation as the major component of Mercury Asset Management, of which 25 per cent has now been sold to the public by Mercury International.

The City revolution has re-emphasised the need to demonstrate the independence of fund management operations of merchant banking groups.

Strict Chinese walls have, in any case, surrounded the fund management side, and it is physically a mile away from the Mercury group's broking and market making operations (though it remains in the same building as the merchant bank S. G. Warburg).

David Price says that MWIM has been concerned to reassure potential clients about independence. But he insists: "The evidence is there that we vote our shares in our clients' interests even when that clashes with S. G. Warburg."

Barry Riley

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Management styles

Small is distinctive

BALANCED MANAGEMENT is still the rule for UK pension funds. By this is meant a comprehensive portfolio management technique, which takes in asset allocation—the apportionment of money between different types of investments such as UK equities, gilt-edged and overseas equities—as well as the selection of individual stocks and bonds.

The big London merchant banks have been the most successful practitioners of this approach, and some are now running many billions of client funds on this basis.

It is an approach that is naturally adopted when pension fund trustees are generally unfamiliar with investment problems. They have been drawn to the big banks, which can offer comprehensive expertise and efficiency at the cost, perhaps, of individual treatment, and at the risk of a certain degree of anonymity, with fund managers being changed around with a frequency which can annoy clients.

In the US, however, balanced managers have encountered severe competition from smaller, more aggressive management firms, which do not claim to cover the whole field but offer various kinds of distinctive styles and specialisations.

A bland, balanced formula will in the end give a rather bland, unexciting performance. To get ahead of the crowd it is necessary to do something a little different.

Such specialist managers have tended to find conditions rather tough in the UK, however. After early success some years ago, managers such as Ivory & Sime and Geoffrey Morley have tended to lose clients, largely because of indifferent performance.

But there are now signs of the emergence of a new group of smaller managers, offering more individual and distinctive styles. They include relative newcomers, such as the recently spun-off Newton Investment Management (formerly part of insurance brokers Reed Stenhouse), together with several longer established investment trust houses that have moved into the pensions field.

Examples of these are Baillie Gifford and Dunedin Fund Managers, both of Edinburgh; and also the London-based John Govett, now part of the listed Berkeley Govett group.

Generally, such smaller managers seek to persuade clients they are capable of high performance, perhaps (though not necessarily) with a high-risk profile.

"We're old-fashioned fundamentalist investors," says Mr Michael Sampson, a director of John Govett. "An awful lot can be learnt meeting management around a lunch table."

At the extreme of high-risk stockpicking is probably Mr Walter Scott, of Walter Scott and Partners, running some £400m of international sunrise technology investments out of Edinburgh for clients who need to be braced for wild quarterly swings against the regular indices.

Another Edinburgh management firm, Martin Currie, better known for investment trusts, raised eyebrows last year by carrying off a £275m slice of the British Rail pension fund—the only small manager to be successful in that hotly contested management restructuring.

Yet Martin Currie's style is only slightly different from that of the leaders, such as Mercury Asset Management and Robert Fleming which were appointed by British Rail. It holds only 40-45 stocks in a typical UK portfolio, an unusual degree of concentration. But it still has a balanced, rather than a specialised, mandate.

Mr John Wigley, of consulting actuaries R. Watson, was involved in the BR selection process as an adviser, and points out that Prudential Portfolio Managers, another mandate winner, also offered a distinctive approach, though the precise formula has not been published. "There is diversification within the six managers that BR has chosen. Each of them has a different style—they are not all clones of Warburg," he says.

But he feels that British Rail was not ready to opt for highly specialised managers. "They could have done it, and maybe they will in due course," he observes.

Interestingly, several of the big merchant banks are also promoting specialist styles these days, and are putting them forward increasingly as an alternative, or supplement, to their balanced service.

"Schroder Investment Management, for instance, can offer a whole series of mainly international equity specialisations, and has accepted appointments to run European and Far Eastern equity segments for UK pension fund clients.

One spur to the development of distinctive styles is the increasing acceptance in the UK of the indexation of sections of pension funds.

Index funds themselves represent an important category of specialised product. There is then greater pressure on the managers of the remaining actively managed parts of the funds to outperform. This inevitably forces them away from the old balanced approach.

A number of other quantitative investment management techniques are also beginning to be offered in the UK, taking their place alongside the various styles and specialisations already being marketed.

But the problem for a pension fund that is thinking of abandoning balanced management and taking this route is that it will have to find someone else to take the asset allocation decisions—or the trustees themselves will have to shoulder this responsibility. Most are not too keen on accepting the extra burden.

In the US, pension fund consultants have been ready to move into this vacuum. Significantly, many of the UK pension funds that are split between a variety of highly differentiated managers are those of subsidiaries of American parent companies, such as Ford Motor, IBM and Rank Xerox, which have between six and eight managers each.

There are only a few British companies with a series of external managers, including Unilever, Rolls-Royce and, as already mentioned, British Rail. These have between four and six different investment advisers.

In the UK, the consulting actuaries have been rather cautious about moving into this field of asset allocation consultancy, but they are considering whether the time is right. In fact, Mercer Fraser, the subsidiary of the US insurance broking giant Marsh McLennan, which last year absorbed the former British consulting actuaries Duncan C. Fraser, is already active in this advisory area.

Barry Riley

Unilever's Raphe Langham: transactions are monitored daily

Retaining top in-house teams can be difficult

When to leave it to the pros

ONE OF the most important changes in the structure of UK investment management over the last year has been the moves by two of the largest pension funds, those of British Rail and Unilever, to close down their in-house management teams and sub-contract the work to professional investment houses.

Their decisions highlight a trend towards more specialist management, which is expected to provide an increasing source of revenue for City institutions over the next few years, and which will help to compensate for the contribution holidays that many funds are now taking.

The £5.5bn British Rail pension fund, the fifth largest in the UK, announced that it was planning to appoint outside managers in 1985. In its lengthy selection procedure, supervised by R. Watson and Sons, the consulting actuaries, a list of 25 contenders was asked to complete what is reckoned to be the most detailed and comprehensive questionnaire ever given to prospective managers. After initial interviews, a shortlist of 10 was drawn up, from which six "balanced fund" managers were finally selected last August.

The assets were transferred at the year end, leaving British Rail's 20-strong department with responsibility for property, art and other direct investments. The department also has taken limited responsibility for the asset allocation decision of the six fund managers, although so far they have not had to intervene as they are all pursuing objectives considered to be complementary (and were chosen partly for that reason).

Unilever's £2.1bn fund was also advised by R. Watson when it decided to follow British Rail's example last September. It appointed four balanced fund managers who took over the fund's assets, again excluding property, in February.

Both British Rail and Unilever made their decisions for similar reasons. It was proving increasingly difficult, and expensive, to recruit and retain a team of top investment managers who could cover a wide variety of specialist markets in the UK and overseas.

The increasing volume of published financial information has made it difficult for any individual fund manager to remain a generalist, following all investment markets. In addition, the ending of the UK stockbrokers' commissions cartel last October has encouraged investment houses to build up internal research and dealing teams, which an in-house company pension fund could never afford.

The salaries of top-performing investment managers have soared as a result of other changes in the UK's financial markets. In particular, the ripples created by Big Bang and the increasing willingness of pension fund trustees to sack their investment managers for mediocre performance has ensured the demise of the lowly-paid bureaucrat whose brief was to manage institutional funds without taking risks and to achieve a return in line with the average.

British Rail was able to make its sub-contracting decision more attractive in cost terms by driving a hard bargain with its managers over their fee scales. Mercury Asset Management is believed to be receiving a fee of little more than 0.05 per cent per year on the £1.5bn of British Rail assets that it manages.

What is more surprising is that both British Rail and Unilever rejected the specialist manager approach, which is now highly developed in the US. This would have required them to make asset allocation decisions between, say, UK, US, Japanese and European equities, property and conventional and index-linked gilts, and to assign a different fund manager to each set of assets.

In its pension funds for overseas employees, Unilever had experience of using specialist managers but decided against it in the UK. According to Mr Raphe Langham, the pensions officer: "The whole point was that, although our stock selection was good, our short-term asset allocation had been poor. We decided that the people who were better at asset allocation were the investment professionals." The other reason, also emphasised by British Rail, was that in the UK there are relatively few specialist investment managers to choose between.

British Rail chose its six managers because they each had a different investment philosophy, and there was no evidence that any significant economies of scale could be exploited by letting just one or two firms manage the entire fund. The trustees showed some boldness in giving £250m to Martin Currie, a small Edinburgh independent firm which has been turning in strong performances recently after a poor patch in the late 1970s and early 1980s.

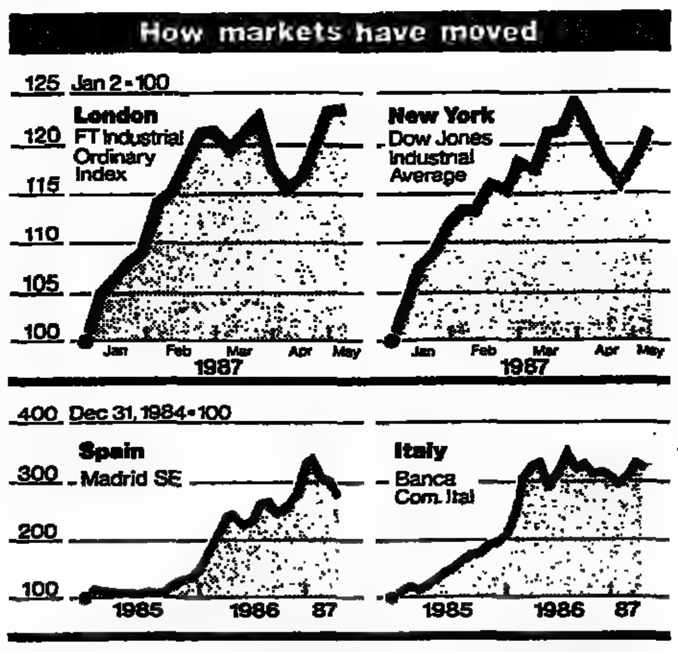
The drawback to appointing six managers with a similar brief and the freedom to allocate assets between different markets is that their decisions may neutralise each other; so that one manager's underweighting in, say, pharmaceutical stocks is offset by another manager's over-weighting. The outcome, in terms of performance, may then be similar to running an index-matching fund, but at much greater cost to the fund in terms of management fees and transaction expenses. At the extreme, one manager may be buying 100,000 Glaxo shares for the fund through the market just as another manager is selling them.

Both funds, however, insist that they are not prepared to restrict their managers' freedom of manoeuvre, and do not even require them to give the right of first refusal on all large deals to each other. Mr Langham, however, says that all transactions by their managers are monitored daily and that, if they discover a significant number of self-cancelling deals, changes may be made.

Both he and Mr Maurice Stonefrost, the British Rail pension fund chief executive, agree that the structure and relationship with their managers is experimental and may have to be changed, although they seem prepared to give the set-up a trial period of at least three years.

Over the next year, other mega-pension funds are likely to follow their example and contract out the management of their assets. But the disadvantages of appointing several balanced fund managers with similar briefs may tempt some of them down a different route, either appointing specialist managers, one for each market, or assigning the core 80 per cent or so of their assets to equity and bond index-matching funds.

Clive Wolman



High returns, even in such previously ignored markets as Italy and Spain, have spurred fund managers to increase their holdings of overseas equities.

International strategies

Assess the risk, keep your nerve

SINCE EXCHANGE controls were abolished in 1979, UK pension funds have significantly shifted their portfolios into overseas equities. And most managers remain convinced, short of a Labour election victory, that international investment will continue to form a major part of their asset base.

Overseas investment can require a strong nerve—especially in the light of the staggering price/earnings ratios demanded by many Japanese stocks, and wildly gyrating currency movements like the two-year decline in the dollar from around parity with sterling to $1.70/£.

But the consistently high returns achieved overseas, even in previously ignored markets *like Italy and Spain, have spurred* fund managers, according to WM figures, to increase their holdings of overseas equities from 6 per cent of portfolios in 1979 to 20 per cent *last* year.

The decline in sterling against many currencies since the early 1980s peak has obviously boosted returns, but *few* managers can fail to be impressed by figures published recently which show average annual returns over the past 10 years of 23.4 per cent in Japan and 22.9 per cent in the Netherlands.

How do managers decide what proportion of funds to invest overseas? "The most important thing," according to Keith Jecks, of Lloyds Investment Managers, "is to understand the client's aims and liabilities—what the trustees are trying to achieve. Different clients have different ideas on what constitutes acceptable risk."

Bruce Pullman, a senior assistant director at County Investment Management, illustrates the idea. "It would be appropriate for a young, immature fund to accept a high equity or overseas weighting," he says, "but a mature fund would probably need to buy gilts to create an asset mix that closely matched its liabilities."

There are no clear ideas on the ideal proportion of overseas investment. "The figure changes with fashion," believes Mr Jecks. "It was probably around 15 per cent in 1979, but it is nearer 35 per cent now."

The fact that most funds' liabi*lities are purely in sterling* receives some consideration in long-term planning, but tends to get ignored in the short term. "You just can't ignore the better returns on offer," said one manager.

However, liquidity is one constraint. Some markets have experienced substantial settlement difficulties in recent years, and few managers will be willing to over commit themselves unless they knew they could quickly liquidate their holdings.

"The old system of investing abroad," explains Mr Pullman, "was to work out a weighted capitalisation for world markets and then overweight or underweight countries, depending on your assessment of their prospects. Having chosen the country, you would then work downwards to pick individual sectors or stocks, and the result would be that you would end up with around four to five stocks in each of a few countries."

While that relatively unsophisticated strategy worked *well before 1979, it* ran into problems when analysts started to find that many managers were underperforming market indices overseas. "We felt it was time to pay more attention to the benchmarks against which we are being judged," explains Mr Pullman.

County switched to using an optimisation model in 1983. Such models come in various shapes and forms, but their essential characteristic is the assessment of the risk/reward trade-offs in investment decisions. The latest ideas from the United States use a technique close to chart analysis in an attempt to get the timing as well as the substance of decisions correct.

Fund managers tend to be sharply divided on the merits of some of the more arcane techniques on offer. "Most of the models are bunk," believes Peter Scott, director of international investment strategy at Gartmore Investment Management.

But *Arif* Sherani, senior economist at Banque Paribas Capital Markets, is more sanguine about their usefulness. "Models have three advantages—they impose an internal consistency on your arguments so, if you make wild assumptions, you get pretty wild results. They also allow you to quantify your assumptions. And when you do get sensible results out of the model, they can be used as a *starting point* for your asset allocation decisions."

County tends to use its model in a slightly different way. First it makes assumptions about the returns it expects in the short and medium terms from different markets; then it feeds those into the model to try and build a *picture of the best portfolio that* is consistent with those assumptions.

Some fund managers try to separate the currency from the market investment decision, and thus use options or the forward markets to lock in an exchange rate. Not everyone thinks such a strategy is wise. "Both the currency and the market risk are unstable," believes Mr Pullman, "but combine them and one diversifies the other."

A different kind of hedging is portfolio insurance, which attempts to allow investors to "lock in" gains by buying and selling stock index futures—the aim is to invest in equities as the market rises, and to switch into cash as it falls. In the US, some $80bn of funds, close to 6 per cent of the market, is covered this way.

In the UK, there has been some concern about the liquidity of the FT-SE futures market, but that objection has been overcome in recent months. Insurance will *surely* look a lot more attractive in a bear market—figures show that a protected fund that started in the early 1970s would have outperformed the market by about 5 per cent per annum. That result is boosted by years like 1974 when the *market fell* by 53 per cent and a protected fund would have risen by 0.4 per cent.

Pure indexation is a popular strategy in the US, particularly with regard to *overseas* markets, but has yet to gain universal acceptance in the UK. "It seems to make the fund manager's expertise worthless," complained one manager, but, like insurance, indexation will probably grow in popularity, particularly in some of the smaller equity markets.

All these strategies might be rendered obsolete if next month saw the election of a Labour government, committed to reducing the percentage of portfolios invested overseas to 5 per cent, with the added hint that some of the returned moneys should be invested in a National Investment Bank which would pay a return similar to that on gilts.

Fund managers seem grudgingly to agree that Labour's strategy would actually achieve its aim. "Labour's tactic of using withdrawal of tax privileges to cause funds to be repatriated would probably be effective," believes Lloyds' Keith Jecks, "although over a period of years".

Some believe that managers will eventually find a way round the rules—perhaps by moving assets offshore. Others feel that part of the City would move away from London and concentrate on overseas clients.

Whether the scheme would succeed in its larger aim—of ensuring that British industry had adequate sources of funds, is more open to doubt. "Hot money flying out of the country, as overseas investors reacted to a Labour victory, would be more significant than pension money coming back in," believes Mr Jecks.

Certainly, there has been little sign that the market is inclined to reduce overseas holdings ahead of an election—which would be illogical, since so much of the rise in the UK market has been caused by the expectation of a Tory victory. So if Neil Kinnock does make Number Ten, there could be some worried frowns on fund managers' faces on June 11.

Philip Coggan

As trustees have become more demanding about returns, even the most cautious institutional investors have been forced to diversify

Overseas equities sparkle

UK PENSION fund portfolios have undergone a revolution since 1979. The old three-way split, of UK equities, gilts and property, *has been overturned* in the wake of the abolition of exchange controls and almost continuously rising stock markets around the world.

Returns have been consistent above historical averages and actuaries' estimates. Last year, a WM survey found that UK pension funds, boosted by an increasing willingness to invest abroad, averaged 22.5 per cent on assets.

The star performers of the asset categories were overseas equity markets, which showed a return of 40.8 per cent, but UK equities achieved an extremely respectable 27.4 per cent. Although overseas bonds, helped by sterling's depreciation, recorded a 24.4 per cent return, more traditional investments had little hope of keeping pace.

The return on UK bonds was 11.8 per cent; on index-linked gilts, 6.8 per cent; UK property 4.3 per cent; overseas property 6.3 per cent; and cash 11.3 per cent.

Those figures rounded off a decade of substantial returns in equity markets around the world. Figures in Pensions Management magazine show average returns for the years 1976-85 for the following equity markets of: US 18.2 per cent, Japan 23.4 per cent, UK 22.4 per cent, Germany 18.5 per cent, Switzerland 18 per cent, France 17.2 per cent and the Netherlands 22.9 per cent.

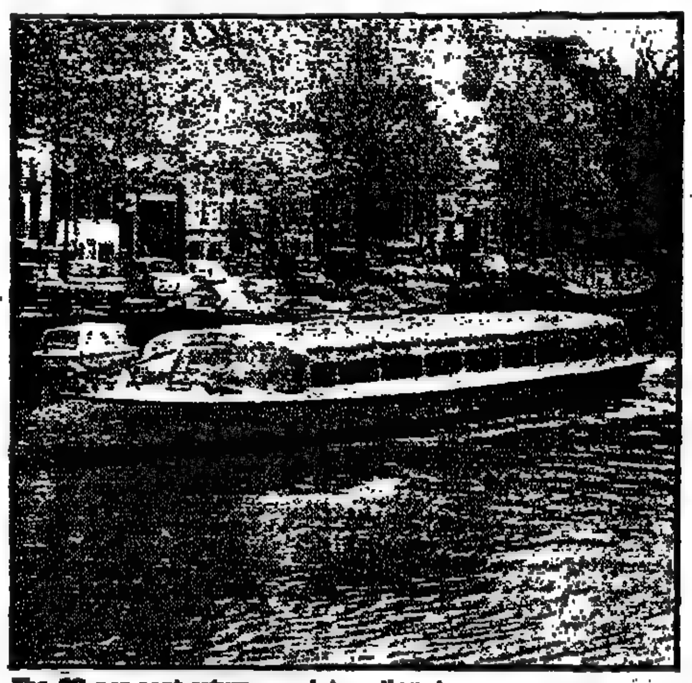
As trustees have become more demanding about the returns they expect *from* their managers, even the most cautious of institutional investors have been *forced* to diversify their funds to take advantage of the higher returns on offer.

The WM survey found that, between 1979 and 1986, the percentage allocation of assets changed as follows: UK equities rose from 44 per cent to 51 per cent overseas equities from 6 per cent to 20 per cent; UK bonds fell from 23 per cent to 13 per cent overseas bonds moved from nil to just under 1 per cent; index-linked from nil to 3 per cent; UK property fell from 22 per cent to 8 per cent; overseas property rose from nil to 1 per cent; and cash fell from 6 per cent to 4 per cent.

The most notable shift has been into overseas equities, with the US taking around 7.5 per cent, Japan 5 per cent and *Europe 5 per cent of total* portfolios. Part of the explanation for the rise in European stock markets is the fact that institutional investors around the world have been diversifying in the wake of exchange control relaxations—so, to a certain *extent*, the good returns on pension fund investment have been self-created.

But the more fundamental reason was the improvement in the European economies as they emerged from the early 1980's recession. The long programmes of cost-cutting enabled companies to improve profits sharply as their economies expanded—even stock markets in countries like Italy and Spain have attracted fund managers' attention.

However, there is a limit to the extent of UK pension funds' interest in such markets—doubts about liquidity and settlement difficulties make managers reluctant to overcommit themselves—especially in the run-up to a general election that might be followed by restrictions on overseas investment.



The 23 per cent return was interesting, too

The Japanese markets brought some managers fantastic returns in 1985-86, although since the financial sector, which overseas investors tended to avoid, was the best performing, few managers matched the index. Many investors remain unhappy with the market, especially in the light of the stratospheric p/e ratios being demanded by some stocks at the moment; some have reduced their exposure to zero because of their unease.

The US market is a more traditional outlet for overseas investment—but the continuing decline of the dollar since early 1985 has lessened its attraction, as have the recent *fears of a US/* Japan trade war.

Fixed-interest bond returns have produced tremendous one-off results, and occasionally had tremendous years over the past decade—as the volatility of interest rates has caused sharp rises and falls in bond prices. However, by their very nature, bonds cannot keep pace with a long-running equity bull market. It is interesting to note, though, that the proportion of index-linked gilts within portfolios has stayed fairly stable since they were introduced in 1982—showing that fund managers do not yet believe that inflation has been eradicated.

If the equity markets turn, then one would expect fixed-interest bonds to *increase their* weighting within funds' portfolios. But 1986 saw no sign of managers expecting such an equity downturn as UK managers reduced their weighting from 16 per cent to 13 per cent.

Property yields have simply been unable to keep up with equity returns, and such excitement as there has been in the sector has been concentrated on retail rather than office or commercial sites. As inflation has declined, so the supposed "inflation hedge" attractions of property interests have *also* been reduced.

It is not so much that fund managers have sold their existing property interests, just that they have been reluctant to put new money into the sector. Perhaps the attempts at increasing the liquidity of the sector via the various schemes of "unitisation" will entice investors back to this traditional home of institutional funds.

When one turns to the allocation of new money in 1986, the trends noted over the seven-year period *since Mrs* Thatcher took power are even more pronounced. UK and overseas equities were the home for 73 per cent of the money received by pension funds in 1986, compared with only 40 per cent in 1979. In contrast, UK bonds and property, which together attracted 54 per cent of new money in 1979, received only 15 per cent of fund managers' new allocations last year.

The healthy rises achieved by most stock markets so far this year is likely to mean that the shift from bonds and properties into equities will continue. Much will of course depend on the result of the election, which could bring into power a Labour government committed to reducing the proportion of over*seas investment to 5 per cent of* portfolios.

But it would be particularly intriguing to see how the current crop of fund managers, struggling to outperform rising stock markets on three-month performance criteria, would cope with a bear market? Many must be hoping that the issue will remain a strictly theoretical one.

Philip Coggan

PENSION FUND INVESTMENT 5

Big Bang has brought new patterns in remuneration . . .

Five sources of savings

PENSION FUNDS have been the biggest beneficiaries of last October's Big Bang. The upheaval in the London stock market has led to cuts of more than 50 per cent in their costs of share-dealing and investment management.

The reduction comes from five different sources. The most obvious cut was the halving of the rate of stamp duty to 0.5 per cent in October. This brings London more into line with other financial centres, though it is still uncompetitive with stamp-duty-free New York.

Second, institutional investors, particularly those larger firms which have their own dealing desks, have been able for the first time to go directly to the market makers to buy and sell shares, and by-pass the stockbrokers. In the first three months after Big Bang, an average of 50 per cent of equity deals were done directly with the market makers, although since the New Year the proportion has fallen to about 40 per cent. Almost all deals in gilt-edged securities are done directly with the market makers.

Third, the market makers themselves are generally charging narrower spreads between their bid and offer prices, particularly on the larger deals of greater than normal market size. For a £1m deal in the most actively traded alpha securities, the spread between the best buying and selling prices has fallen from about 1.3 to 0.75 per cent. Even on smaller deals, say £50,000 on a beta security, the spread has fallen from 1.9 to 1.65 per cent.

The fourth factor has been the cut in commission rates. For a £50,000 bargain, the average rate for institutional investors has fallen from 0.53 per cent last July to an estimated 0.3 per cent. For a £500,000 bargain, the rate is down from 0.31 to slightly above 0.2 per cent. The larger pension funds have generally negotiated a flat 0.2 per cent on all except the very largest deals.

The pre-Big Bang commission rates are misleading, however, because they reflect the concessions, known as continuations, that were granted to the larger investment managers. They were able to lump together all the transactions in a single security for their different clients over a three-month period as one transaction, and thus benefit from lower commission rates. Most managers failed to pass on these concessions to their clients, although the rise of independent fund managers in recent years has encouraged a shift towards explicit fees only.

Last year, there were dire predictions from fund managers who feared that Big Bang and negotiated stockbroking commissions would mean the end of continuations, while a tougher regulatory regime under the 1986 Financial Services Act might stop other hidden forms of remuneration. The consequence would have to be a probable doubling of their management fees, they said.

In fact, less than half of investment managers have raised their fees, and even their increases have been modest. For a balanced fund of £10m to £50m in UK and overseas equities, the going fee rate is between 0.15 and 0.25 per cent which makes London and Edinburgh the cheapest centres for professional portfolio management in the world. The largest funds have been even more aggressive in cutting their investment management fees, in some cases to below 0.1 per cent.

One reason for the modest increases has been the sharp rise in world stock markets since the autumn, which has boosted the value of pension fund assets and thus their actual management fees, which are calculated on a percentage basis.

A second factor has been the intensifying competition from insurance companies, US institutions and the passively-managed index-matching funds which charge as little as 0.01 per cent per year to manage around £100m of assets.

But perhaps the most important reason is that some fund managers are continuing to benefit from hidden forms of remuneration. Big Bang, for example, has not affected the commission-sharing arrangements, or the use of high-charging in-house unit trusts, for overseas investments which account for a growing proportion of the total. Mercury Asset Management, for example, in its share prospectus, in March, admitted that its additional commissions and charges on overseas transactions were a "particularly important" source of revenue.

Even when pension fund trustees understand what is going on, they often prefer their charges to be paid indirectly, out of the investment returns of the fund, rather than explicitly. In local authority pension funds, for example, investment management fees come directly from the ratepayers and may have to be approved by the authority's politically-led finance committee, whereas stockbroking commissions and continuations are taken directly out of the funds.

Many of the large banking groups which have acquired stockbroking firms originally planned to integrate their brokers' fund management operations into their own. However, they have had to allow the brokers' pension fund clients to continue to be serviced directly by the broking arm, so that they can pay out of the now artificially inflated commission levels rather than through fees.

The new regulatory regime is not proving to be as hard as expected on hidden benefits. Despite their tough statements of principle, the officials of the new self-regulating body, the Investment Management Regulatory Organisation (Imro), have had to water down their rules on hidden benefits by their own committee, which is dominated by practitioners. The Securities and Investments Board also has backed away from imposing any radical changes. All forms of hidden benefit will be permitted, provided they are disclosed in some form or other, even though the full implications may not be spelt out.

Some investment institutions have complained to Imro that its rules will let in a new type of covert continuations benefit, re-shaped for the post-Big Bang dual capacity market. Fund managers will be able to buy shares cheaply and then pass them on to their clients at a higher price; or, conversely, to charge a mark-down on shares sold by their clients. It will often be impossible to ascertain what price the client could have obtained had he dealt for himself, particularly in a large line of stock. Most pension fund trustees are unlikely to be able to judge how much of the dealing price they are giving away to their investment managers.

Thus, for the smaller pension fund at least, the fifth source of potential savings in the post-Big Bang era, lower total investment management fees, may prove difficult to realise.

Clive Wolman

. . . as well as in dealing

Agency business regains ground

SEVEN MONTHS after the Stock Exchange's Big Bang restructuring of trading and commissions, institutional investors are settling down to their new patterns of dealing in securities.

Before Big Bang all business had to be done through agency brokers, but the new trading system made it possible for institutions to deal on a so-called net basis, without payment of commission.

In the early weeks after Big Bang some of the more macho institutions, in particular the merchant banks, demonstrated great enthusiasm for bypassing the agency brokers and going straight to the market makers. But since then the balance appears to have swung back somewhat towards agency business.

There is a feeling that the brokers have by now sorted out which are the good clients and which are loth to pay commissions. The more niggardly clients can no longer assume they will receive research and other services regardless.

Widely different attitudes persist, even among apparently similar large institutions which manage pension funds. Two clearing bank subsidiaries provide good examples of the varying stances.

County Investment Management (owned by National Westminster) does some 80 per cent of its UK equity business on an agency basis.

Generally speaking, it deals almost entirely with agency brokers except on special deals such as large placings, or so-called "basket" trades which involve whole portfolios of stocks.

In sharp contrast, Barclays de Zoete Wedd Investment Management transacts 70 per cent on a net basis for pension fund clients, at any rate in the biggest hundred or so "alpha" stocks (with the less highly capitalised betas the trend is said to be shifting a little more back towards agency business).

A third example is Prudential Portfolio Managers, which has arrived at a different solution again, a split of 45 per cent agency against 55 per cent net, which apparently has not changed much since Big Bang day.

Why pay any agency commission, even if the rate is only half what it used to be? Roy Peters, a director of County Investment Management, lists various reasons. Thus an agency broker is required to seek best execution, and can also provide anonymity which an institution will lose if it tries to check out the market directly. These factors are important on difficult orders.

Moreover, fund managers need to pay for research, which it is uneconomic for each institution to provide for itself independently.

There is also a desire to pay for a better service, such as the first telephone call with an interesting story. In some circumstances, too, brokers are in a position to perform favours for their best clients, as in allocating stock in privatisation issues.

At PPM, Mick Newmarch, the chief executive, takes the pragmatic line that "we are eager to reward people who help us." But he says that he is very disappointed at the quality of post-Big Bang research, one of the most important services which he is seeking from brokers.

"We hoped that negotiated commissions would free brokers to be more serious about research," he says, "but there has been a discernible deterioration." Mr Newmarch complains that there are fewer in-depth reviews, and that the internationalisation of research has not been very impressively done.

Other fund managers do not appear to have noticed quite such a decline in the quality of research, though they suggest that analysts may be concentrating on telephone work rather than printed circulars.

If so, one of the Pru's rivals points out, it may be that managers like the Pru which are aggressive on commission rates may not be getting the top quality service which they expect.

Certainly the smaller pension fund managers tend to be keener to pay agency commissions, and perhaps to offer a little more than the standard 0.2 per cent, in order to be sure of getting the best treatment.

A big fund management business like BZWIM—which runs over £11bn, not all for pension funds—can afford to be rather tougher; it is too large for brokers to shun.

But one reason for its somewhat greater emphasis on net trading may be that it is the leader in index funds (it manages some £2bn on an index-linked basis) and clearly there is little point in paying commission and receiving research when buying and selling are largely determined by computer programmes.

In other areas, however, BZWIM is keen to keep brokers happy by allocating commissions. "We want the early phone call," says Alan Foster, deputy chairman of BZWIM.

He points out that it is important to control the basis on which fund managers transact business. Fund managers can deal on an agency basis, but must not do net bargains, all of which have to be passed to the specialised in-house dealers.

The reasoning is that BZWIM must be able to show that it is getting best execution on behalf of its own clients. Only skilled dealers can be confident of getting the best prices when they deal directly with market makers.

Another challenge posed by the Big Bang changes has been to the elaborate system of "soft" commissions which has grown up to facilitate payment by fund managers for certain services.

For instance, performance measurement has frequently been paid for by passing business to a sponsoring broking firm. The information service DataStream was frequently paid for on this basis in its early days, when it was associated with brokers Hoare Govett, and the practice has tended to spread.

However, the commission reductions following Big Bang have raised questions about such practices. "We shall advise our clients not to perpetuate soft commissions," insists Mick Newmarch, of Prudential Portfolio Managers. "Soft commissions will inhibit PPM's negotiations on fees."

Some other managers tend to like soft commission arrangements, however. They can be used to ensure that the clients pay for services directly, and that the burden does not fall on the managers. This may be acceptable for performance measurement, but it is less obviously desirable for, say, Reuters screens, which might be thought to be chargeable to the manager's account.

Regulatory bodies, like the Investment Management Regulatory Organisation (Imro), may have to rule on this in due course. For the time being the draft Imro rule-book is relying on disclosure rather than on rigid yes-or-no decisions.

Barry Riley

Institutional responsibilities

Wanted: a short term remedy

THE FINANCIAL world is, increasingly, divided into two camps: those who believe that the stock market is the efficient sum of all human knowledge, and those who claim that it is short sighted and irresponsible, dominated by speculators with very short-term time horizons.

In the past year or two, the market's critics have been gaining the upper hand. The concept of market efficiency, hitherto more or less unchallenged in academic circles, has been questioned. More seriously, there has been growing concern about the evident priority given by institutional investors to short-term investment performance.

The pension funds, in particular, have been under attack. In the closing stages of contested takeover bids, they have time and again shown themselves to be more interested in the odd penny per share than in long-term strategic arguments.

There are a number of explanations for this preoccupation with short-term performance. Perhaps the most obvious is that the level of speculative activity always tends to rise in bull markets. This can be best illustrated with figures from the New York Stock Exchange, which has a long run of data. In 1981—just before the big bull run—the turnover ratio on the Big Board (reported share volume as a proportion of total shares listed) ran at 33 per cent. By 1986, that figure had climbed to 64 per cent, by far the highest level seen since the great crash.

Other reasons include high real interest rates—which have forced both companies and investors to look for very high rates of return from long term investments. Companies' time horizons have also been shortened by the shock of 1981, which led them to place much greater emphasis on cash management at the expense of large scale investment projects.

The investment institutions have been encouraged to higher levels of activity by a proliferation of new financial products together with the lower transaction costs which have resulted from Big Bang. And as more and more pension funds are switched from in-house management into the hands of independent managers with discretionary powers, so the business has become more competitive and performance measurement has become more important.

The consequences of a higher level of activity are not all bad. Greater volume in a market leads to greater depth and liquidity, and helps to reduce the cost of capital. Sleepy managers are forced to look over their shoulders, and those who become swept away by grand visions of a distant future tend to get brought to earth with a bump. Good examples of this are Thorn-EMI and STC. In both cases, management felt that the City had failed to grasp their long-term strategies, but it turned out that investors' misgivings had been only too well founded.

For the most part, however, "short termism" is seen to have adverse results for the economy. The standard complaint is that it discourages companies from investing in their future—through research and product development which tends by its nature to have a long-term payback. And it encourages the growth of companies which are primarily interested in financial management—a steady rise in earnings per share and an active fan club in the City. According to their critics, they swallow up soundly based manufacturing companies, and boost their profits by cutting off development spending and selling off outlying activities. Asset stripping, it used to be called.

There have been signs in the past year that the pendulum has been swinging in the other direction. The hostile reaction to BTR's unsuccessful attempt at Pilkington is the most obvious example of a change in fashion, and there have been other examples of bids being turned down which might well have succeeded if short-term considerations had been all-important. One recent case was the failed bid by Williams Holdings for Norcros.

However, there is no reason to think there has been any lasting shift in investors' perceptions. The problem is that institutional investors are now by a wide margin the main owners of British equities: the pension funds alone are reckoned to control about a third of listed equities. Yet for the most part, they fail to act like proprietors. Rather than exert direct influence on the management of poorly run companies, they prefer to seek a predator to do the job for them. And well run companies fear that they cannot count on their shareholders' support through lean times.

These anxieties about the responsibilities of institutional investors have become a political issue, and *not one which is* just confined to the Left. They led directly to the CBI's attempt to build a bridge between industry and the City through the working party which is now under way, and they have brought calls for change from within the financial and government establishment.

Mr David Walker: a personal crusade

At one extreme, it has been suggested that "short termism" should be subject to tax penalties, either through the reimposition of some form of short-term capital gains tax, or through the removal of tax privileges from pension funds which turn over more than a certain proportion of their portfolio each year. At another, there are suggestions that arrangements should be set up *to allow investors to act in concert* if they wish to bring about changes in a company without putting it on the auction block. One idea is that the Bank of England might act as a sort of informal clearing house in such cases.

However, such an approach would be likely to be greeted with intense hostility, and not just from the companies concerned. In the words of Mr Stanislas Yassukovich, chairman of Merrill Lynch Europe, "It would edge us towards a corporatist system which would not be in the long-term interests of capitalism."

He is strongly opposed even to such limited forms of collective activity as the recent efforts by institutional investors to preserve pre-emption rights. Although big investors should make their voices heard by the management of the companies in their portfolios, they cannot claim to act for all shareholders since they often have conflicting interests.

Between the two extremes of tax penalties and collective action, there are other ways of encouraging a more stable relationships between companies and their big investors. Many of them have been put forward by Mr David Walker, executive director of the Bank of England, who in a series of speeches in the past two years has made the issue something of a personal crusade.

Among the more attractive ideas are:

- Greater disclosure. Institutional investors should be expected to report on an annual basis the turnover of different parts of their equity *portfolio*. Questions could then be asked about unusual levels of activity, especially if—as often seems to be the case—high trading does not lead to an above average performance. There might also be a case for greater disclosure about the response of individual institutions to particular takeover bids.
- Companies, too, should reveal more about their spending on research and product development, and give some idea of the expected returns. Mr Walker has proposed an innovation statement, which would comprise an indication of total spending on new products or services that are expected to reach the market in, say, one, three and five years' time.
- Companies have a legitimate interest in the management of their pension funds, particularly in the degree of investment risk appropriate to their circumstances. Boards should encourage trustees to be clear in their policy instructions to their investment managers. For their part, trustees should not fire managers if an agreed risk strategy has led to a disappointing performance over the short term.

Pension fund managers are the agents of their trustees. Their patterns of behaviour must, in the end, be set by the people who pay their bills.

Richard Lambert

Fund-splitting

A servant called master trust

FUND-SPLITTING, once a peculiarly American phenomenon, is becoming increasingly common in the UK. And although the British pattern is still nothing like as complex as across the Atlantic, where corporate pension managers often sit at the centre of an elaborate web of specialist managers, there are rapid changes taking place.

Extreme cases include the British subsidiaries of US multinationals, while the newly privatised aero-engine company Rolls-Royce lists five main managers plus seven international advisers.

Chase Manhattan has just *completed a survey of* 29 UK company pension funds selected at random from the near-250 funds with assets of over £100m. The average value was £887m, and for the 81 per cent which were managed externally the average number of fund managers was between five and six.

So far, however, most funds are only experimenting with the new kind of structure, and the logic of dividing money between different investment advisers has not been fully worked out. There is an obvious risk, for instance, that different managers will be buying and selling the same shares at the same time, creating needless dealing activity which cannot be to the benefit of scheme members.

Mr Roger Urwin, of pension consultants Mercer Fraser, has been involved in the development of asset allocation models *which have regard to the liabilities* of schemes.

Depending on the extent to which the liabilities are fixed—as with deferred pensions—and the extent to which they are linked to final salaries, different allocations should be used, according to an optimal model.

However, many schemes simply use a balanced manager, who makes his asset allocation decisions according to purely investment criteria—that is, which market seems likely to yield the best returns over a short-to medium-term forecasting period.

Alternatively, it is possible to buy the asset allocation service separately, with the money then being apportioned to individual specialist managers.

According to Mr Urwin, some funds are moving towards the pattern of setting up a balanced core fund together with a series of specialised satellites. "That's a situation that is certainly becoming more popular. But specialisation in the UK is in its infancy," he says.

If specialisation is to develop, the range of other services available to pension schemes will have to be improved. At present, many services, such as custody and accounting, are bundled into the comprehensive, balanced service provided by the big managers, such as the leading merchant banks.

The true costs have usually been disguised, largely because of the ability of the integrated merchant banks to earn revenues through commission sharing, and although this has now come to an end in the London market, there are still often lucrative transaction fees charged on overseas deals.

Even performance measurement is often paid for through "soft" commissions, even though this service is actually carried out by independent organisations.

But there is a possibility that greater levels of disclosure, and the effect of changes in the structure of the financial markets, *will lead to the unbundling* of many of costs and revenues associated with pension fund management.

If so, independent providers of such services may be able to compete, whereas at present they stand little chance of charging fees to scheme managers who think they are getting such services for nothing.

The desire to break into the business of providing ancillary services to pension funds lay behind Chase Manhattan's decision to conduct its survey. It is considering whether a US-style master trust concept can be introduced into the UK.

There are bound to be major differences of application in the UK, where as yet there is *nothing like the Employee* Retirement Income Security Act (Erisa), which has proved such a burden to US pension plan trustees and such a boon to a multitude of advisers and providers of specialist services.

However, Elizabeth Vann, of Chase's global custody department in London, claims that the survey indicated there could be scope in the UK pensions industry. "It was a very positive response," she suggests. "As the UK moves towards the US pattern, so the scope for master trust services will expand."

Two of the 29 funds are already actively considering a master-trust type of arrangement, she suggests. Another of the US leaders in the field, State Street Bank, is also interested in developing the British market.

Master trust is a range of services rather than a single package. It can include custody, *reporting (including reports to* regulatory bodies), performance measurement, cash management and asset/liability modelling (similar to that offered by Mercer Fraser). It can also take in the record keeping of scheme members, the sort of number-crunching often carried out at present within company pension departments.

Master trust services are used by three-quarters of all medium and large US pension funds. The big banks are keen to break into a corresponding market in Britain. But first they will have to persuade pensions managers that the fees represent value for money.

Barry Riley

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Flow of funds

A bear needn't spoil the holiday

"WE'RE ALL going on a pension holiday, no more payments for a year or two . . ." More than one board of directors must have been tempted to hum a few bars of Cliff Richard over the past year, as cuts or holidays in pension contributions have given a handy boost to pre-tax profits.

There is little mystery about the cause. For almost a decade, fund managers have outperformed the assumptions of actuaries who have traditionally expected returns of around 1 per cent over wage inflation and 3 per cent over price inflation.

Figures from the Combined Actuarial Performance Survey (Caps) show that cash flows have declined sharply over the last three years.

In 1984 median cash inflows were 3 per cent of the value of funds, or 2.4 per cent on a weighted average basis. By the following year, those proportions had declined to 1.7 per cent and 1.5 per cent respectively. But last year the median cash inflow was only 0.1 per cent, and on a weighted average basis there was actually an outflow of 0.8 per cent.

Translated into money terms, the Caps figures show that the average fund received a cash inflow of £2m in 1984, of £1.5m in 1985, and incurred an outflow of £0.9m in 1986.

Not all commentators agree with these figures—Phillips & Drew calculate that new cash flow, as a proportion of total pension fund assets, was 6 per cent in 1986, although well down on 22 per cent in 1975—but all seem to agree on the direction of the trend.

One reason why the shift is expected to continue is the effect of the 1986 Budget, which required funds to choose one of three routes to reduce surpluses—increase benefits, reduce contributions or give refunds to employers—if the fund was judged to be overfunded by more than 5 per cent of its actuarial value.

Since many schemes were already offering close to the legal maximum benefits, cutting back on contributions will continue to be the preferred route. In the short term, that will present little problem since, after years of better than expected returns on assets, fund managers will be able to meet the cost of existing benefits from their investment income.

But the impressive investment performance of funds hides some underlying factors which have been making an impact on their cash position.

The recession, and the consequent slimming down of workforces in the early 1980s, led to a host of early retirements. For the pension funds, that meant a reduction in their long-term liabilities; but in the short term, it meant lump-sum cash payments to those leaving their jobs early and a reduction in the number of pension contributors.

Another underlying factor affecting cashflows is the better treatment now afforded early leavers. Previously, the raw deal received by mobile workers subsidised those who stayed with companies for most of their careers—hardly a formula designed to produce a thriving economy. But now, for reasons of equity as much as to ensure a more flexible workforce, early leavers receive much more generous transfer values.

The decline in cash flows has prevented fund managers using new money to alter the balance of their portfolios.

There is little fear, despite these factors, that the pension holidays could be overdone. The strength of the equity markets easily outweighs the other changes. According to Richard Chapman, of Bacon & Woodrow: "All things being equal, the current spate of holiday-taking could last for up to five years."

But what if, as some analysts fear, there is a bear market? Surveys show that pension funds have undergone a massive re-allocation of assets since Mrs Thatcher came to power in 1979. Funds have been shifted out of traditional safe havens, like fixed interest bonds and property, and into more risky, but recently more profitable, equity markets both in the UK and overseas.

It would probably take a massive decline in equity markets to cause funds any problems. "The likely result of a collapse in the stock market would be an acceleration in the trend towards starting pension fund contributions again," believes Mr Chapman.

However, one effect of the decline in cash flows has been the inability of fund managers to use new money to alter the balance of their portfolios. They have been forced to take more "active" decisions—selling parts of their existing holdings to change the weighting of their investments.

Two longer term factors affect the prospects for pension fund cash flows. The first is the growth of personal portable pensions, which will enable employees to opt out of company pension schemes.

Such pensions are particularly expected to attract younger employees, leaving the pension fund with a rapidly ageing and thus rapidly benefit-receiving pension base. Although some managers believe that the decline could be offset by the inclusion of the many millions of workers previously unpensioned, some view the impact of portable pensions with trepidation.

The other factor is demographic. Government statistics indicate that the number of pensioners is likely to increase from 9.9m, in 1984, to 12.5m in 2025, while the size of the workforce remains static.

Given the increasing trend towards higher benefits and index-linked pensions, there will inevitably be a significant impact on pension fund cashflows somewhere in the next century.

How serious this greying problem might be is difficult to assess. If the economy and stock market booms, then investment income will, as in the last few years, probably be more than enough to cope with the increased benefits that will result from wage and salary growth.

But a sustained slump, timed at exactly the wrong moment, might trigger demands from fund managers for increased contributions from employers and employees at exactly the time when both are feeling the pinch. If that happens, then the 1980s era of pension holidays will be seen as a halcyon age, and the strains of Cliff Richard will be replaced by "Buddy, can you spare me a dime?"

Philip Coggan

Regulation

October deadline looks possible

PENSION FUND managers and trustees face a summer of poring over complex rule-books, talking to advisers and filling in application forms as they get to grips with the new system of regulation of financial services.

Following the passage last year of the financial Services Act, anybody carrying on investment business must apply to be authorised—normally by an approved self-regulatory body—before a deadline (dubbed P-Day) which has not yet been fixed, but could be as early as October 1.

The application of the new regulatory system to pension schemes has always been somewhat controversial. The original stance of the National Association of Pension Funds was that schemes were users of services rather than providers of them, and therefore should stand outside the new framework.

That stance has been modified, but even now there is a degree of doubt over the precise conditions in which pension schemes could fall on one side or another of the regulatory borderline.

It is quite clear, however, that external investment advisers such as merchant banks or independent managers will need authorisation.

Normally they will belong to the Investment Management Regulatory Organisation (Imro), an entirely new body which is establishing itself in offices in the Centre Point office tower, next to Tottenham Court Road tube station.

Imro is itself in the process of applying for recogniton as self-regulatory organisation (SRO) by the top regulatory body, the Securities and Investments Board (SID). But provisional membership applications are already being processed.

It is clear, too, that in-house investment practitioners need to be regulated. The most practical way is likely to be to set up the investment executives in a separate management company (if the management operation is not constituted in this way already). The managers can then seek corporate membership of Imro.

The trustees, however, present different problems. Originally, when drawing up the new legislation, the Department of Trade and Industry was inclined to bring all trustees within the "fit and proper" criteria which will be applied throughout the financial services industry.

It was pointed out by the NAPF that this could pose embarrassing problems where trustees had been appointed or elected by unions or workforces. What would happen if a duly elected trustee was deemed not to be fit and proper by some regulatory body?

So it was agreed that a line should be drawn between trustees and investment managers. But this has required the devising of rules for what trustees canand cannot do if they are to avoid what, from early in 1988, will be the criminal offence of carrying on investment business without authorization.

Basically, the formula is that a trustee will not need authorisation for his basic responsibilities of selecting managers, setting strategy and so forth. He will even be able to take isolated decisions, such as whether to accept takeover bids, or whether to change investments on political or ethical grounds.

But what a trustee will be barred from is playing any role in the day-to-day management of investment operations of his pension fund. He will not be able to instruct the manager with any frequency.

How this formula will work out remains to be seen. According to John Morgan, Imro chief executive, and himself a trustee of the British Rail pension scheme: "Trustees are puzzled and possibly a bit cross that they are being forced to debate a fine philosophical point."

Certainly there is a school of thought in the pensions industry that the new rules will constitute an unwarranted interference in the powers of trustees.

So long as the trustees stick carefully to the guidelines SIB and Imro are committed not to prosecute. However, there is bound to be a grey area in the degree of frequency with which interference by trustees will be permitted. Eventually there may have to be test cases, if trustees decide to challenge the regulators.

But despite the complications, Mr John McLachlan, board member of Imro and investment manager of the Reed International pension fund, says the new framework could bring benefits.

"In a positive sense, it will clarify relations between trustees and sponsoring companies, which in a majority of funds have been mixed up with each other," he argues.

He suggests that, in quite a number of smaller companies, a casual situation has developed in which company officials informally make investment decisions. This will have to stop.

Mr McLachlan, who is also chairman of the investment committee of the NAPF, accepts that the new regulatory set-up will prove expensive. "But it is not a negative thing, it is quite a positive approach," he insists.

Although trustees in general will not need authorisation, there could be a layer of pension fund supervision which will need to be covered.

Some funds are run through executive sub-committees operating on behalf of the trustees, including executives and sometimes outside consultants. These people might need authorisation, perhaps as individuals, where they are close to the day-to-day dealings of the funds.

Imro is offering a special low annual subscription rate for such individuals of £500 (plus VAT), on the basis that their annual gross revenue from investment business of the kind regulated by Imro is less than £25,000.

John McLachlan gives as an example the Reed International investment committee, which consists of two trustees, two executives and two outsiders. They are likely to need authorisation.

This could be sought individually, or the committee could be collected together as a little company which would seek corporate membership of Imro.

Corporate membership for in-house investment managers would certainly be preferred, because, although individual authorisation might also be possible, it would carry serious risks. If key managers were to fall ill or otherwise be put out of action, the fund might be temporarily left with nobody properly authorised to manage it, pending the completion of a possibly lengthy new membership application procedure for an alternative manager.

These are complex matters to consider, and the fear among the regulators is that many pension funds will be too slow in facing up to all the implications of the new regulatory system.

Barry Riley

Property

Smaller portions should look more appetising

DEVELOPERS, chartered surveyors and banks go about their business with one question running continually in the back of their minds. When will the pension funds be back in the property market?

In a way the question is misplaced, because the funds have never been out of it. But what they have done is sharply to downgrade the level of their investment and thus play a significant role in the changing pattern of development finance.

Institutional investment in property has slackened considerably since 1982 and the banks have stepped into the breach, providing a greater volume of short-term funding. They have a motive for asking the question because they need to know how they can get their money out. They need to know who will be refinancing their loans.

Developers, for their part, know that only the blue chip property investments are likely to attract institutional support under present conditions. While it is true there is no shortage of finance from other sources, they would welcome the extra variety of sourcing which would come from a revival of pension fund interest.

Chartered surveyors for some time have been urging the necessity of property investments to achieve portfolio balance for pension funds and of course, have a vested interest in increasing turnover in the industry.

The problem has been that equity investment has provided the funds with high short term gains and for managers under a constant measurement of performance the Stock Exchange has looked a much better place to be.

The other problem for the funds has been that, while property has traditionally been a secure investment, it is also a very lumpy one. Big projects demand heavy spending and they can be difficult to sell.

So, much stress now is being laid on drawing the funds back into the market with the introduction of new investment vehicles, which will allow property to be swallowed in smaller bites. And, if the portions are smaller then the market should be more liquid and, as the sponsors of the new vehicles hope, more attractive to the funds.

These vehicles come under the heading of unitisation and securitisation. The essence of the scheme is to take a building and either make it the sole asset of a company which can issue shares and float debt securities or to split it into units which can be sold as property income certificates or as shares in a trust owning the building.

The Stock Exchange has been drawing up the listing requirements, which should soon be announced, and then it is hoped that buildings will be brought to the market. "Unitisation will transform the market for large property investments, where there are currently few buyers," according to Weatherall Green and Smith, the chartered surveyors, "but the market's continuing success may depend upon the total value of the units exceeding the existing open market value of the property."

But this transformation is likely to come only gradually and it is not by any means certain how many funds will rush into the new market. Certainly the sponsors are hoping that those who have disappeared will be lured back and that small funds, driven away by the size of investment necessary will re-think their purchasing policies.

Debenham Tewson and Chinnock, chartered surveyors, who monitor pension fund property movements, have stressed the importance of the smaller funds. In a recent study the firm noted that. "It is the small and medium size funds that have recorded the sharpest reduction in their commitment to property.

"The overall rating given to property in the early 1980s (that is, the share of their investment portfolio) was 12-15 per cent, but by 1985 this had fallen by 50 per cent to just 8 per cent. For the largest pension funds (£1bn or more assets) the downturn has been only 10 per cent, while for funds of £500-£1bn the reduction was 22 per cent," Debenhams say.

Pension fund investment in property has tended, in any case, to run at a lower level than that of the insurance companies. But while insurance company net investment has edged up since 1984, the yearly totals for the pension funds have gone down since 1981, when new money invested came to £843m.

Department of Trade and Industry figures show new investment slipping to £797m in 1982, down to £306m in 1986. At the end of last year, however, quarterly investment figures were the highest for any three months since 1985, at £182m. Whether this is a freak figure, or whether it is a response to the shortage of office space (not only in the City of London but in many provincial centres); to the retail trading boom; or to the high yields available on many industrial properties, is not yet clear.

Generally, the funds are cautious investors. The greater part of their spending is likely to be in the south east of the country and their interest in offices tends to concentrate on central London and the major provincial centres.

But their interest in office property has declined this decade as they have expanded their retail interests. The Investment Property Databank, on the basis of surveys of institutional investment, has drawn up a profile of a typical portfolio containing 49.9 per cent offices, 35.3 per cent retail property and 14.8 per cent industrial property. But the sources of rental income are slightly different—50.8 per cent offices, 28 per cent retail and 21.2 per cent industrial.

The next moves are obscure because so much depends on whether the upward trend of the equity market continues. Fletcher King, chartered surveyors, has predicted continuing demand for central London offices and for space at selected locations on the M25 ring around London. Despite regional variations, the industrial market is strengthening and business parks are beginning to draw in institutional investment. The retail sector is also strong and the search is on for market town properties where the prospects for rental growth are most extensive.

Whatever happens the pension funds will remain, despite their apparent indifference to the property market, vital for the industry. As the Investment Property Databank noted, the 10 largest insurance companies and the 10 largest pension funds between them have property investments pushing up towards £20bn in value.

Paul Cheeseright

Personal pensions

Company schemes may be hit

THE 1986 Social Security Act, if and when it comes into operation next year, will represent a watershed in UK pension provision.

Its revolutionary proposals are likely to make a dramatic impact on private pension provision, and on the underlying fund management. But as yet no one knows which way the provisions will operate in practice.

At present, employees are either in the State Earnings-Related Pension Scheme (Serps), or they are in a final-salary pension scheme operated by their employer which is contracted-out of Serps.

The decision as to whether the employee is contracted-out rests with the employer. And for the vast majority of company pension schemes, membership is compulsory for employees as a condition of employment.

All this will change if and when the Act comes into operation. Employees will no longer be required compulsory to join their employer's company pension scheme. Membership, as from April 1988, will be voluntary.

Moreover employees will be able to opt out of their company scheme and Serps and make their own pension provision through a personal pension.

The other major change in the pensions scene brought about by the Act is that employers will be able to set up company pension schemes on a money-purchase basis, which can be contracted out of Serps.

There are three major effects that the Act could bring about. First, those employees not in a company pension scheme could take a personal pension instead of being in Serps. To encourage employees to do this, the Government is paying, until April 1993, a 2 per cent extra incentive contribution from the National Insurance Fund.

Second, those employers currently without a company pension scheme could set up their own money-purchase scheme.

If these two things happen, then private pension provision will be expanded without greatly upsetting the present final salary-based company schemes and the investment managers and investment houses that manage the funds.

Certainly, Mr Norman Fowler, the Social Services Secretary, author of the Act and the whole pensions reform, is predicting such an event as the likely course of events.

But there is another scenario . . . that employees who are currently members of company final salary pension schemes, particularly the younger employees, will vote with their feet and come out of their company schemes.

Mr Norman Fowler: expansion without upset

These employees would be likely to take a personal pension, though if they have been in their employer's scheme for at least two years they will not be eligible for the incentive contribution. But if they have been persuaded to come out by a smooth-talking life salesman, then he will also have persuaded them to take a personal pension.

It is, however, by no means clear that the employee has to take a personal pension if he comes out of his employer's scheme. He may come out, because he or she resents compulsion, simply to get a higher take-home pay from lower pension contributions.

If this does happen—and the Government Actuary is guessing that 500,000 employees under the age of 45 will do just that—then there will be an impact on company schemes.

This would be slow at first, but ultimately it would lead to a slowing down in the growth of the pension fund assets, and eventually to a net disinvestment. Those finance houses that are heavily into pension fund management would be severely affected, with little in the way of offsetting the loss.

Personal pensions can only be issued by life companies, unit trusts, banks and building societies. Most of the major life companies manage their own investments and are expecting a boom in pension sales from the Act.

Some merchant banks and other finance houses do have life company and unit trust subsidiaries. However, the probable growth in personal pensions business is very unlikely to offset the run-down in assets managed for final-salary company schemes. These financial institutions will have to seek other forms of pensions management.

To start with, many smaller life companies employ outside investment managers. Others could follow this lead, if the financial institutions can show that it has the expertise to do the job cheaper and with better returns.

Pensions schemes operating on a money-purchase unitised basis are going to have their investment performance continually monitored, just as unit trusts are currently monitored every month.

Several building societies have indicated that they are keen to become major players in the personal pensions field. If they stick to deposit-style contracts, then there is nothing in it for the investment houses.

However, several societies have said that they want to offer equity-based contracts as well as deposit-based contracts. Many will be looking for investment managers to handle their equity investments, at least for the first few years.

The prospects do not look much better for company money-purchase schemes.

There is nothing to stop an employer running his own money-purchase scheme. But most employers currently without a scheme are small employers. They are unlikely to want the hassle of running their own scheme, especially the administration involved. They are more likely to use an off-the-peg scheme from a life company, especially as most of the administration is also handled by the life company as part of the package.

The life assurance industry as a whole should gain from the new scenario. But within the industry there will be winners and losers among the companies.

Those life companies with little pension business at present could well expand their involvement and be looking to strengthening their investment backing. However, the established life companies with considerable company pensions business, such as Legal & General, Prudential Assurance and Standard Life could see their overall pension business switch, with a drop in company final-salary schemes offset by a rise in personal pensions and small money-purchase company schemes.

However, these life companies have their own in-house investment teams and should cope with the change in investment brought about by the switch between types of pensions business.

In general, personal pensions business is more profitbale to life companies than company pensions business, because charges on the latter have been kept low through competitive pressure.

The Government, despite having the powers in the Social Security Act, is not imposing any controls on the charges and expenses that life companies and others may impose in their cost structure for personal pensions. Nor is there any control or limitation on the underlying investments.

It needs to be emphasised that this is a completely new situation. Financial institutions need to be flexible in their planning, and be ready to switch strategies as the pensions scene clarifies after April 1988, assuming there is not a change in Government.

Eric Short

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Index funds

Passive trackers gain ground

ONLY THREE years ago, index-matching funds and the quantitative analysis of share price movements on which they are based, were scorned by nearly all pension fund trustees and most managers as an esoteric transatlantic product of little relevance to the UK.

Since then, the value of those UK funds which are passively managed to track the returns on some form of stock market index has risen to more than £10bn, or about 2.5 per cent of the value of UK equities. That proportion is already large enough to affect the market, particularly in privatisation issues when there is a scramble to build up a full weighting in the stock.

It is, however, far below the 10 per cent figure for the US stock market and has yet to make any major impact on the fee structures of investment managers or on the methods of trading equities. Although most UK trustees have discussed indexation as a response to poor investment performance, few have so far taken the plunge. The marketing costs for the pioneers of indexation in the UK are proving high.

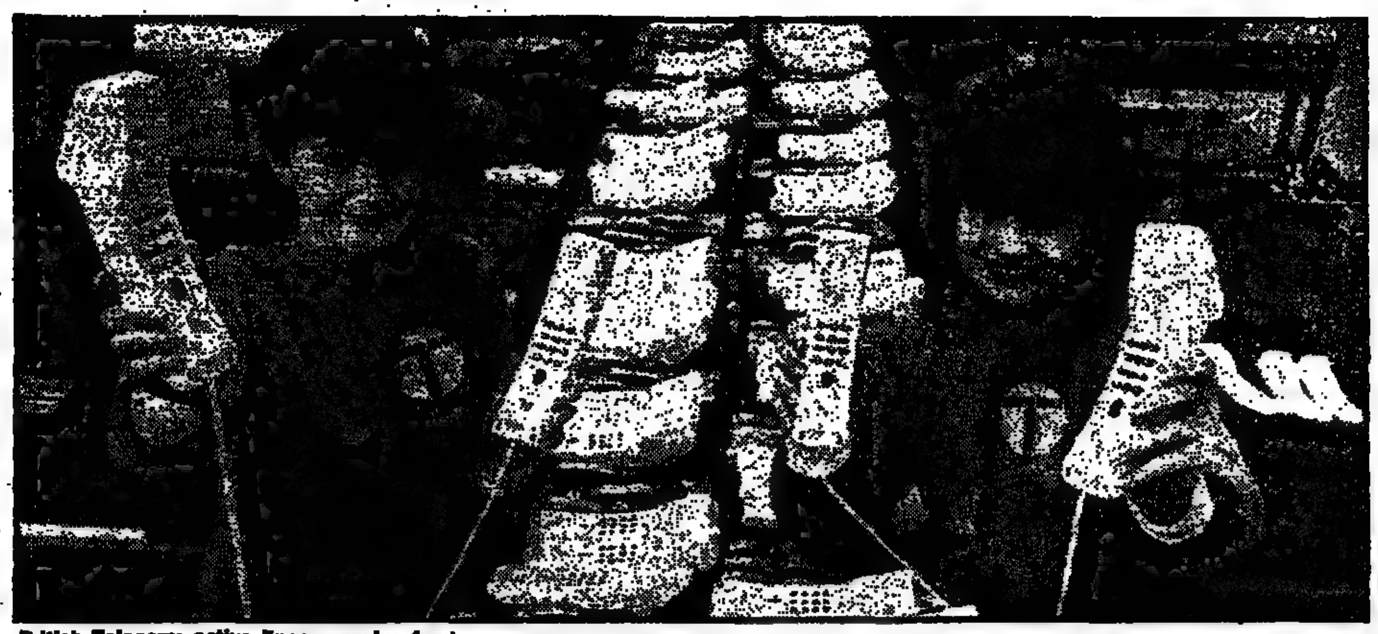
The growth of passive management can be seen as a reaction against the supposedly short-term trading approach to investment management of many British funds. That approach has given rise to two types of criticism.

One is that, in each of the last four years to December 1986, about 60 per cent of UK pension funds have managed UK equity portfolios which have achieved lower returns than the FT-A All Share index, the broadest measure of performance of the UK stock market. In overseas markets, particularly the US and Japan, their performance since 1983 has been even more dismal.

More specifically, data collected by the US-based pension fund consultants Frank Russell suggests that, if UK fund managers have been able to add any value for their clients over the last five years, it has been in their asset allocation decisions between different stock markets, currencies and equities or bonds.

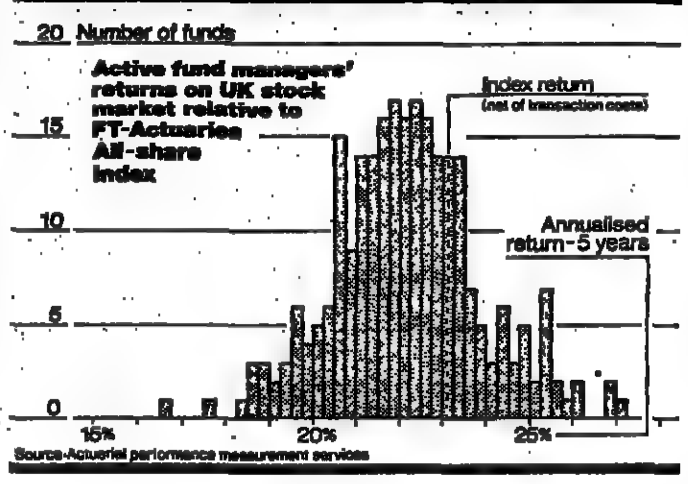
The conclusion is that pension fund trustees should remove the risk of such under-performance, and save some of their management fees, stockbrokers' commissions and other dealing charges by setting up a passive fund to match different stock market indices.

The other criticism, made by the Bank of England executive director, Mr David Walker, is that fund managers should more actively monitor and influence the performance of the companies they invest in, and not rely exclusively on the possibility of a takeover bid to replace poor management. On this view, passive management represents the most extreme form of the hands-off attitude of UK professional investors.



British Telecom: active lines, passive fund

Why consider indexation?



Source-Actuarial performance measurement services

The largest passive fund in the UK is that managed by Postel for the British Telecom and Post Office pension funds, although Postel does not apply the more rigorous index-tracking methods of other funds. Other company pension plans with in-house passive management include Esso and Mars.

However, the most important index-matchers in the UK are the external, specialist investment management houses. The largest manager is BZW Investment Management, the subsidiary of Barclays bank which was one of the first to develop and market a product three years ago. BZW now has £2.2bn under management in passive funds, of which about half are the assets of the giant Barclays pension fund.

The second largest manager is County Investment Management, the National Westminster subsidiary, which has generally been the more innovative in developing and marketing quantitative investment techniques for the UK market.

Both BZW and County use an optimisation technique developed by the Californian consultancy firm, Barra, which allows them to select a sample of the stocks that make up the index, whose share price performance will match that of the index to within one percentage point in most years.

In fact, the managers invest in nearly all the largest 100 or so stocks, which account for more than 70 per cent of the market capitalisation of the All Share index, and apply the sampling method to select approximately another 150 of the smaller companies. Investing small amounts of cash flow in all of the thinly traded stocks in which the market-makers quote wide spreads is generally considered too expensive, although the stockbroking firm Quilter Goodison, has run a fund for several years which fully replicates the index.

The sample is based on comparing the risk exposure of different companies calculated from their key financial and accounting ratios (price-earnings ratios, yields, currency exposures) which have proved reliable indicators in the past. As many as 40 different factors may be used to select the best sample. For the more complex Japanese market, Barra and Nikko Securities have developed a model which uses 64 different factors.

County also offers index-matching funds based on the use of financial futures, in particular stock index futures on, for example, the FT-SE 100 index in the UK or the Standard and Poors 500 index in the US. The tracking is less accurate, but the transactions costs can be considerably lower, particularly for smaller funds and those investing in overseas markets which have stock index futures, such as the US, Japan, Hong Kong and Australia.

BZW offers an international index fund based on a sampling technique that allows even small pension plans to track a world index by investing in only six markets. Although the tracking error (above or below) is three to four percentage points per year, the under-performance of most UK pension funds in world markets has been greater than this.

The alternative method of running a passive index-matching fund on the basis of sampling was adopted last year by the insurance company, Legal and General, which had been suffering a loss of pension clients following a period of mediocre performance. Its method, called stratified sampling, is based on a system developed by another US consultancy firm, Wilshire Associates. All the largest 100 or so stocks are selected, plus another 100 to 200 smaller stocks (depending on the size of the fund). The main criterion in selecting these stocks is to ensure that the fund has invested in the correct spread of industrial sectors, which accurately reflects their weighting in the index.

The lack of performance statistics make it difficult to judge the most appropriate method of indexation, full replication, optimisation or stratified sampling. It probably depends on the size of the fund and its attitudes to risk. Chase Manhattan bank is now marketing all three methods in the UK based on its experience in the US.

Clive Wolman

Trustees

Guidelines for the tightrope

THE 1986 Financial Services Act is revolutionising the operations of all investment services, from the handling of major portfolios to the selling of life contracts.

No one who is not authorised under the Act will be able to handle investments or give investment advice when it comes into force—the expected date being the beginning of 1988.

Trustees are involved in the Act in a number of ways, though their position is far from clear cut.

First, occupational pension schemes as such are not investments as defined by the Act. But the underlying assets are defined as investments.

Second, trustees are becoming more involved in advising members of pension schemes on such matters as: the investment of lump-sum payments from the fund; investment of transfer payments, when employees change jobs; and, under the new framework, personal pensions—compared with company schemes.

The Act is extremely vague on the trustees' role in giving advice to members, and so is the Securities and Investments Board (Sib), the body responsible for operating the Act.

However, with regard to the investment of the assets, the Act itself and the Sib are much more specific on the authorisation position.

Under Trust Law, the trustees are technically responsible for the investments of the pension scheme; and technically should be authorised. However, the SIB has enough problems authorising existing investment firms, without getting involved with the trustees of pension schemes—there are literally thousands of company schemes.

So its guidelines to trustees on their investment responsibilities are clear-cut.

If the trustees are not involved in the day-to-day investment decisions of the funds, then they do not require authorisation.

Very few trustees actually handle the investment of the funds under their control. Invariably this is delegated to investment managers—either internal or external—with varying degrees of discretion.

The investment managers must be authorised in order to carry on their business, usually through the Investment Managers Regulatory Organisation (Imro) the self-regulatory body operating under the SIB for this sector of the investment market.

The SIB has laid down guidelines on what trustees can do in connection with their investment responsibilities without these being regarded as being day-to-day decisions.

Regular decisions on asset allocation, in consultation with the investment managers and other advisers: It is usually for trustees to meet quarterly, or half-yearly, to review the allocation of new money and the existing portfolio in relation to the division between equities, fixed-interest and property.

The laying down of overall guidelines to the investment managers and their periodic review—such as no investments in South Africa.

Involvement in specific investment decisions of a one-off nature, such as consultation between the investment managers and trustees over particular takeover situations.

Selection of investment managers, and a review of their investment performance, either internally or, as is more usual, using external firms specialising in pension fund performance measurement.

This list of activities covers the general involvement of most trustees in investment matters. So it would appear that they do not need authorisation to continue with this aspect of their responsibilities.

However, as the SIB keeps warning, the ultimate decision on whether or not to authorise is not the SIB's. The conditions for authorisation are laid down in the Act, and trustees should consult their legal advisers.

Indeed, trustees have been consulting their legal advisers on a variety of matters in recent months.

There is the famous McGarry decision, in the National Coal Board judgment, that trustees must invest solely for the benefit of their members and must not take into consideration personal feelings. And the judgment in the Courage pension fund showed that trustees have to take care over the distribution of pension scheme surplus.

However, trustees' responsibilities have been brought into focus strongly over their role when the parent company is involved in a takeover battle, usually as a defender.

A company cannot acquire its own shares to protect itself against a predator, but there is nothing to stop its pension scheme acquiring shares in the parent company.

It is generally held that self-investment by a pension scheme in the parent company should be strictly limited. The whole objective of a funded company pension scheme, set up under trust, is to make that scheme independent of the financial fortunes of the parent company in respect of benefits secured to date.

However, employees made redundant following the takeover of their company will not be reassured to be told that their pension benefits to date are secure.

Bryant Holdings recently fought off a bid from English China Clays, using the pension scheme assets to buy its shares. This had the support of employees, anxious to preserve their jobs, even though, as an investment decision on its own, it could be questioned.

However, the opinion of leading pension lawyers is that such use of pension fund assets is fraught with danger. At the end of the day, trustees may have to prove in court that it was in the members' interests, as pension beneficiaries, not as employees, that the parent company should not be taken over.

There have been other instances of the abuse of responsibility for pension assets in takeover situations, and there are calls for legal controls on self-investment, say to a limit of 5 per cent of assets.

Though pension scheme members are wary of legislation on investment controls, such a move, as part of general legislation on takeovers and mergers, would be welcome, if only to clarify the position.

Eric Short

Performance measurement

A new task that needs a specialist

EMPLOYERS and trustees of company pension schemes are no longer prepared to allow their investment managers to look after their pension scheme assets without a check on their overall performance.

The days when the employer passed over the pension contributions every month to a merchant bank and then forgot about it are over.

The employer, in a final salary based pension scheme, is effectively underwriting the finances of the scheme and a shortfall in investment performance by the managers means that he will have to increase his contributions in order to maintain the solvency of the fund.

By contrast, a top class investment performance means that employers can reduce their contributions and use the money elsewhere in their business.

Profits are currently being given a substantial boost through the contribution holidays many companies have been able to introduce as a result of a very good investment performance by their pension schemes.

There are, however, two basic problems in checking the performance of investment managers.

- First it is a highly technical exercise and the measurements used must not have any inbuilt factors that prevent an objective assessment of the managers' investment ability.
- Secondly, the exercise needs to be carried out independently of the investment managers themselves, though they need to be made aware of both the fact that their performance is being reviewed and of the results. Indeed, their cooperation in providing the data is essential.

These two features point to the need for the performance measurement to be carried out by a separate internal department under the trustees' control, or, as is more usual, by an external firm specialising in performance measurement.

There are a few such firms operating in the UK, which have built up a high reputation for efficiency and impartiality, such as the Edinburgh based WM Company or the Combined Actuarial Performance Services run by the leading consultant actuarial firms.

The development of performance measurement is comparatively new and techniques are still to be refined.

The money weighted rate of return is a straightforward calculation showing the actual return on the fund. This demonstrates whether the first objective of investment—to match prices and salary inflation—has been achieved.

Indeed, it is possible to calculate a rate of investment return, adjusted for earnings or price inflation, that will give trustees and their actuarial advisers a more precise measurement on how the fund is dealing with its inflation objective.

However, this measure is not really suitable for comparing the performance of investment managers or different sectors, since it is influenced by the time during the period when new money became avalable for investment.

The alternative is time-weighted rate of return.

This is a series of money weighted returns over short periods linked together to eliminate any timing bias. It does not represents the actual return on the funds, but is ideal for comparison purposes, just as a redemption yield is widely used for comparing different fixed-interest stocks, even though it does not represent any practical return.

In addition to comparing managers, the time-weighted approach is used to compare with standard indices. The FT-Actuaries All-Share, adjusted to a total return basis, is the standard measure for equities.

In several other areas techniques are by comparison crude. Unlike equities, there is no ready market value that can be placed on property investments and as a result it has to be valued by a surveyor specifically for this purpose.

Each major estate agency firm in the commercial property field has its own property index, however, with no element of standardisation in the valuation methods.

The growth in overseas equity investment has brought problems in performance measurement, too. Here there is a need to separate and identify the local market element from the currency element.

Trustees need this performance analysis, but a proper assessment would require daily information in building up the weighted return.

The publication of the comprehensive FT-Actuaries World Indices has, therefore, been widely welcomed by the performance measurement firms as providing a valuable benchmark for assessing overseas investment.

Finally, there is a need to identify and measure the risk element of a portfolio. At present a 10 per cent yield on gilts is given the same degree of influence as a 10 per cent yield on equities.

Performance measurement in the US is centred around risk and volatility analysis, using a complex mathematical statistical approach. However, this treatment rests on the basic assumption that risk can be defined mathematically—a contention that is not completely accepted in the UK.

In the UK, the approach is to identify the nature of the investment risk in a pension fund by linking assets and liabilities, and liabilities are invariably expressed in real rather than monetary terms.

Eric Short

New techniques

Portfolio insurance can tame the bulls and bears

THE MOST far-reaching and controversial technique that British pension fund managers have imported from the US over the past year has been that of portfolio insurance.

On some estimates, the value of assets covered by portfolio insurance in the US is more than $80bn; and many claim that, at least on two occasions, it has had a destabilising effect on the entire US stock market.

The three pioneers in the UK market have been County Investment Management, the National Westminster subsidiary, which has initiated several quantitative investment techniques in the UK; Baring Fund Managers, in what has been a surprisingly bold initiative for the subsidiary of a traditional merchant bank; and Chase Manhattan Bank.

Chase already has over $6bn covered by its portfolio insurance in the US, and has been building up a presence in London's securities markets over the last two years. So far, only County has won any substantial accounts, and it now has about £70m covered by its insurance.

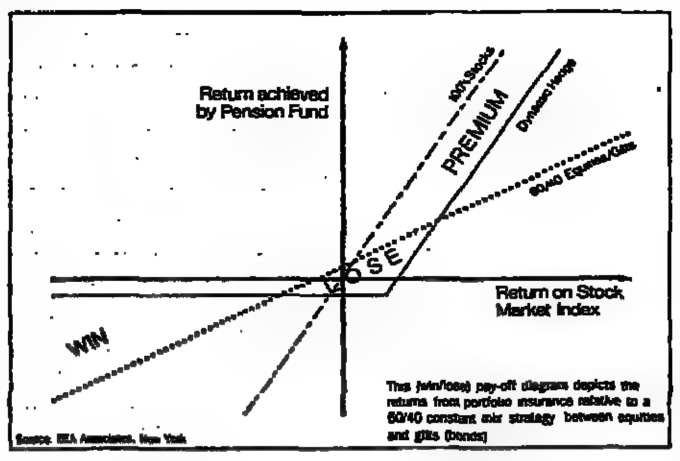
In the US, the hedging techniques that have been developed are particularly attractive, because they allow companies to use the surpluses in their pension funds to strengthen their own balance sheets. Different accounting and tax rules remove such opportunities in the UK, but portfolio insurance retains several other attractions.

The purpose of portfolio insurance can be defined simply: to protect investors from any loss of their capital in an equity bear market, while allowing them to participate in the benefits of a bull market. The investor has his capital "insured" against a fall in the value of his equity portfolio, in return for sacrificing some of the bull market returns, a sacrifice which represents the cost of the insurance premium.

The mechanics of the operation, however, are less straightforward. The simplest way to buy such insurance ought to be through the purchase of put options on a stock market index which tracks reasonably closely the returns on the investor's portfolio. To insure a widely diversified portfolio of UK equities, for example, put options on the FT-SE 100 index should provide reasonable protection. If the stock market, and the investor's portfolio, rises, the options will expire worthless. If the stock market falls, the options can be exercised to offset all the losses.

Few pension funds, however, will be able to follow such a strategy. First, it is difficult to buy longer-term (and preferably out-of-the-money) FT-SE put options in sufficient volume to insure an entire portfolio, except perhaps at a prohibitively high price which would be well above the theoretically fair value. Second, even if a theoretically fair price for the options is paid, this type of insurance remains expensive.

When do you win (or lose)?



Source: BEA Associates, New York

Third, the investor's portfolio may perform differently from the FT-SE 100 index.

Portfolio insurance tackles this problem by using a very different technique, based on an application of modern portfolio theory. A "synthetic" put option is created on the equities in the investor's portfolio by continually shifting his assets between equities and cash or short-dated bonds in response to price fluctuations. County Bank also uses FT-SE 100 futures contracts as a substitute for buying or selling the underlying securities.

Suppose the investor specifies that, at the end of each year, he wants a guarantee that the value of his assets will not have fallen in nominal terms. If his entire portfolio was in short-dated bonds, assume that he would receive interest of around 10 per cent.

At the start of the year, his assets might be divided equally between equities and bonds. If the equity portfolio starts to fall in value, part of the assets would be shifted into bonds to compensate. The farther the equity portfolio falls, the higher the proportion of assets held in bonds. Conversely, the sharper the rise of the equity portfolio, the lower the proportion held in bonds.

The success of this strategy hinges on getting right the trigger points at which a rise or fall in values prompts a shift in asset allocation. Too sensitive a trigger point can lead to excessive transaction costs. More important, in a period of no major stock market trends but just a series of small "whipsawing" fluctuations, the strategy can lead to a steady erosion of capital values as the fund moves into cash just before the market rebounds and moves more in equities just before it falls.

BZW Investment Management, the Barclays bank subsidiary, has so far decided against selling the portfolio insurance system that it has developed because it has continuing doubts about whether its system can really deliver the correct results, and in particular whether it can more or less guarantee the investor's capital against loss.

Every fund management house that uses portfolio insurance in the US or UK has its own trading rules, although all are based on statistical analyses of patterns of stock market volatility. County, for example, has adopted a US system by testing out models on no fewer than 15,000 "simulated" years when different patterns of stock market volatility have been tried out.

Some managers apply completely mechanical computer-driven systems, others allow the individual fund manager some degree of discretion. Discretion has been emphasised more in the US as a result of the risks which have been highlighted recently of a sharp stock market movement triggering a mass of destabilising buy or sell orders from the computers of the portfolio insurance managers.

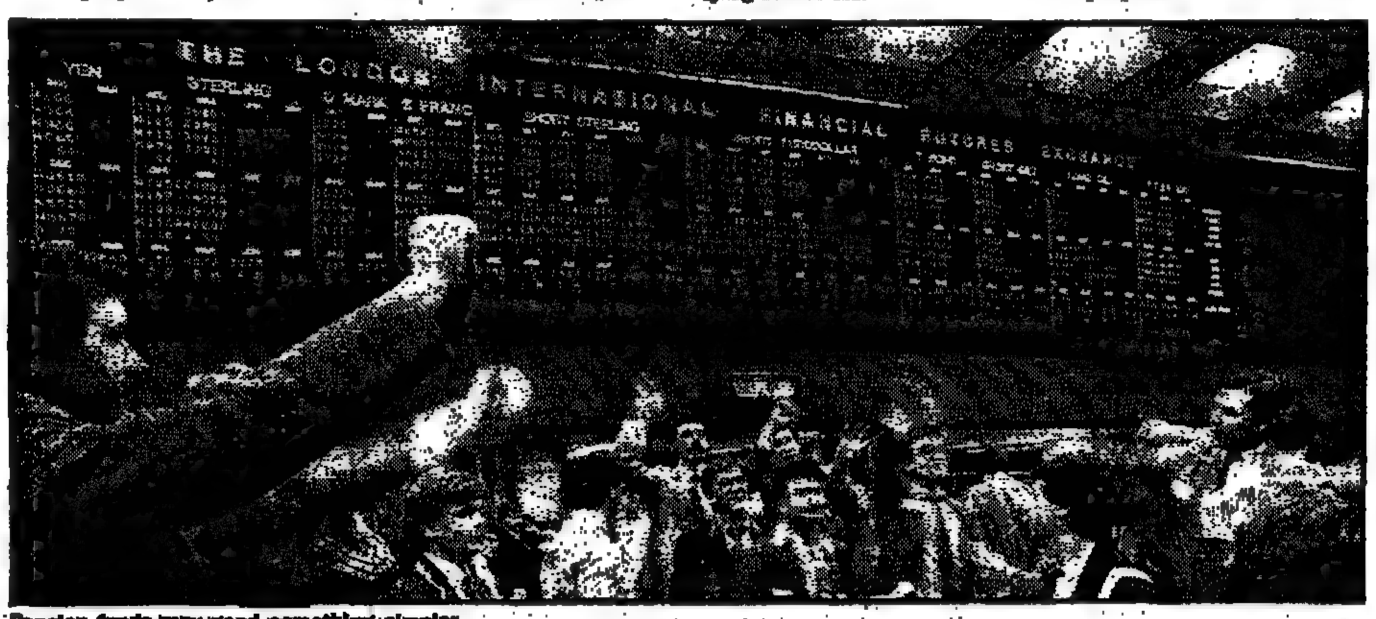
The critics of portfolio insurance say that it is unsuitable for pension funds, which are supposed to have a long-time horizon, although ironically they concede that it might be better suited to individual investors, to whom it has never been marketed. Undoubtedly the shorter the time period over which a pension fund demands protection (whether this protection is defined as no capital loss or just a small loss), the higher the cost of the insurance in terms of the loss of upside benefits.

But portfolio insurance supporters argue that, just because the downside risk can be removed for a specified time period, a pension fund can afford to put a higher proportion of its assets into a (protected) equity portfolio and less into riskless assets.

Thus the real issue is whether, overall, the use of a protected equity portfolio with fewer assets in bonds and cash can produce a more favourable risk-reward relationship for a pension fund than some form of conventional, and fairly static, allocation of its assets between equities and bonds.

In effect, the sellers of portfolio insurance are implicitly assuming an inefficiency in the way the stock market values put options. Their claim is that investors misjudge the future patterns of volatility of the stock market, and this allows the portfolio insurer to buy synthetic put options at a price below that which would be struck in a fully efficient market.

Clive Wolman



Pension funds may need something simpler

Taxation

Light on a crucial statute

INVESTMENT MANAGERS who act for pension funds have to be skilled in the intricacies of taxation. Although the 1970 Finance Act calls a pension fund which has been approved by the Board of Inland Revenue an "exempt approved scheme," that does not mean that it is exempt from tax on all its income and capital gains.

The exemptions laid down by parliament are interpreted very narrowly by the Inland Revenue, and indeed the rather more generous interpretations which some pension funds' local tax inspectors have adopted in the past appear to be under retrospective review.

Since nearly every word counts, here is what parliament said in the 1970 Finance Act, in subsections 2 and 7 of section 21:

"(2) *Exemption from income tax shall . . . be allowed in respect of income derived from investments or deposits . . . held for the purposes of the scheme.*"

"(7) *For the purposes of capital gains tax, a gain shall not be a chargeable gain where it accrues to a person on his disposal of investments . . . held . . . for the purposes of the scheme.*"

Deposits are mentioned in the income tax subsection, but not in the other one. So, although the interest on, say, a dollar bank deposit is exempt from income tax, any rise in the dollar against sterling between the days of deposit and withdrawal produces a potential capital gains tax liability (subject, of course, to indexation relief and to the annual exemption figure for pension funds, currently £3,300).

What is an investment?

The Inland Revenue have consistently maintained a restrictive interpretation of the word, based upon old High Court judgments. But new and welcome light was shed upon the question last July, in the Chancery Division, in the case of Marson (Inspector of Taxes) v Morton.

In his judgment, the Vice-chancellor, Sir Nicolas Browne-Wilkinson, said that, in determining the meaning of the word "investment," the courts need to have regard to current commercial practice and to modern markets and investment opportunities.

The Revenue are not taking the Morton case to the Court of Appeal, so it may be that they are at last beginning to doubt whether their rigid view that traded options, for example, are not investments has been justifiable since the London market opened, in April 1978. There are long-running tax disputes involving those pension funds which entered the London traded option market before the day of the Royal Assent to the 1984 Finance Bill.

Parliament has intervened to end the dispute over whether certain financial instruments are investments, in relation to current and future transactions (without expressing any opinion as to their past investment status), by specifying that "a contract entered into in the course of dealing in financial futures or (some) options shall be regarded as an investment" with effect from July 26 1984.

In fact, as reported in the FT at the time, the Government conceded investment status to financial futures retroactively, but refused similar treatment for options. Furthermore, while the 1984 legislation covers all financial futures worldwide (and not merely those dealt in on recognised futures exchanges), it covers only a limited selection of option instruments:

- Warrants listed on stock exchanges designated by the Inland Revenue;
- London traded options;
- LIFFE (London International Financial Futures Exchange) options;
- Traded options on designated stock exchanges overseas; and
- CBOE (Chicago Board Options Exchange) and EOE (European Options Exchange) options (by extrastatutory concession).

In particular, the 1984 legislation does not cover:

- Options on futures (except LIFFE options);
- Stock Exchange traditional options; or
- Commodity futures.

Although the general tax law relating to options and futures was improved in 1985 (in relation to options on futures and commodity futures), and although clause 68 of this year's Finance Bill, as published on April 8, contains proposals to make further improvements (in relation to Stock Exchange traditional options and UK over-the-counter options etc), there appear to be no plans to extend the scope of the protection of the 1984 legislation to pension funds that wish to make use of the full range of hedging instruments on offer at the present time.

Where is the line between hedging and trading?

This is an issue that affects many investing institutions, among them investment trusts and unit trusts; and it is too large to go into here. However, there are a few points where the question of trading is particularly pertinent to pension funds.

Underwriting new issues might be regarded as a trading activity, using the Revenue's narrow criteria, but in fact parliament has specifically given pension funds exemption from tax on underwriting commissions (provided that the underwriting does not constitute a trading activity). This happened as long ago as 1971, and no pension funds seem to have been assessed as traders in respect of their underwriting activities.

In sharp contrast, the Revenue have been sticking firmly to their contention that stocklending by pension funds—lending stock to facilitate deals on the Stock Exchange, in accordance with procedures agreed with the Revenue—is a trading activity, and the Chancellor has so far declined to put stocklending on a par with underwriting.

The refusal of exemption for stocklending fees probably has no effect upon the amount of tax collected from pension funds, because the prospect of a tax bill effectively discourages trustees from agreeing to lend stock to the market. The fees are modest in relation to the trouble of lending stock, and having to pay 45 per cent tax makes the service uneconomic. Why 45 per cent tax? Because pension funds are only exempted from the current 18 per cent surcharge under section 16 of the 1973 Finance Act in respect of "income from investments, deposits or other property held for the purposes of a fund," and that description does not cover stocklending fees.

If the management of a pension fund's portfolio is divided between external investment managers, there are two special pitfalls to beware of. One is statutory, and the other depends upon the view taken by the Revenue.

If the independent investment managers take different views of the prospects of, say, ICI stock—there being none in the portfolio managed by Manager A but some in the portfolio managed by Manager B—it may happen that Manager A buys ICI stock and then Manager B sells ICI stock a week or two later, after it has gone *ex div*.

The trustees will find to their dismay that they have fallen foul of Section 473 of the Taxes Act, which is aimed at a sort of sharewashing operation, and that they cannot recover much of the 36.99 per cent (27/73rds) tax credit on the ICI dividend.

The other danger, if this happens more than once, is that the Inland Revenue may suggest that such short-term turnover constitutes dealing, not investment.

The tax problem of foreign currency bank accounts was mentioned towards the beginning of this article, but there are other tax worries for pension funds with foreign portfolios, where the trustees think it prudent to hedge the exchange risks. Some currency options are protected by the 1984 legislation, and so are all currency futures; but what about forward sales of currency? As foreign currency is not regarded by the Revenue as an investment, a capital gain on a currency transaction carries a potential CGT liability; but is it a capital or is it the profit from an adventure in the nature of trade? There appears to be an extrastatutory concession covering forward currency transactions with a clear link to investment transactions, but how clear does that link have to be?

There are many other puzzles and oddities—I have not even mentioned works of art or woodlands, nor the intriguing consequences of the fact that the capital gains tax exemption in the 1970 Finance Act is not required (by Section 36(4) of that Act) to be construed as one with the Capital Gains Tax Act 1979—but maybe, at least, it is clear that rationalisation of pension fund taxation and exemption is long overdue.

It ought to be possible to protect the Revenue against abuse of the system by a few funds, while enabling the investment decisions of the great majority of pension fund managers to be taken against a background of fiscal neutrality.

Ralph Nevins
Spicer and Pegler

Pooled funds

Life offices lose ground as unit trusts accelerate

ONCE AGAIN, UK pension funds have turned in a sparkling year, profiting from the heady growth of the world equity markets.

The top return for pooled pension funds in 1986 was from Baillie Gifford, which added a healthy 35.8 per cent to its clients' investments. The median return of 24 per cent was also high, and even the bottom performing fund at 13.6 per cent covered clients' liabilities.

Pension fund liabilities are linked to earnings and inflation, and last year both were kept at the comfortably low rates of 7.4 per cent and 3.7 per cent respectively.

In 1986, for the fifth year in succession, there were strong real returns for pension funds. While, as would be expected, the tops and bottoms are less extreme, the average return over five years remains at nearly 24 per cent, and at a healthy distance from inflation and earnings rates of growth.

Yet, what the bald statistics do not show is the upheaval that has taken place in the pooled pension fund market during the intervening years. While, only five years ago, the market was still dominated by the life offices with their traditional managed funds, last year most places in the top 10 were firmly in the hands of the unit trust companies—only three life offices even got a look in.

Five years ago, few unit trust funds existed. The pooled pension fund market had grown up in the early 1970s, when life offices introduced them as an alternative to insured funds and direct investment.

It was not until the 1980s that the unit trust companies entered the field. Led by Murray Johnson and Martin Currie, several of the leading investment houses set up single exempt funds. These were unit trusts which were, in fact, very similar in constitution to managed funds. Subsequently, "packaged" exempt funds investing in a range of in-house funds were introduced by managers such as Baillie Gifford and Hendersons.

The life offices were almost caught napping as the more aggressive unit trust houses turned in slick presentations at the investment management beauty parades—as the selection of pension fund managers is aptly called. But the unit trust managers were not just slick. They differed from the traditional managers in two important ways.

They offered high exposure to equity markets at a time when world markets were showing very good returns, and they offered flexibility and individual attention in a way the life offices never had. Flexibility was particularly the feature of the packaged exempt funds, which, by offering a range of funds, could be used to match the needs of individual pension funds more closely.

Indeed, many of the unit trust companies managed to deliver what they promised. All of those in the top ten for 1986 had extremely high exposure to equity investment at home and abroad. The total average investment in equities was 85 per cent and, in the case of Baillie Gifford, was as high as 88 per cent. By comparison, none had any investment in property; and the rest of the mix was made up of fixed interest, cash and small investments in index linked gilts.

Of the top performing life funds over a five-year basis, only two managed to compete with the unit trust managers last year—Confederation Life and Sun Life. Looking at the asset allocation, the life funds tend to a broader base of investment, with more funds in property and index linked gilts. They, too, had a high exposure to equities last year, but not as high as the unit trust companies.

Robert Baker, of Mercer Fraser, conducted the pooled pension fund survey for Pensions Management. He explains: "At present, there is a trend for unit trust services to do better than the life offices. One reason is, quite a few of them are relatively new and relatively small and can therefore be more flexible in their strategies. But, as they grow larger, it is difficult to see this advantage continuing. The Scottish Widow's fund is now over £2,000m, and Scottish Amicable's is £1,600m.

"The second reason is that unit trust services tend to be offered by managers with a naturally high weighting in equity markets. For funds to have done well in the last five years, a high equity content helped," says Mr Baker.

Yet, it is not just a case of being in the right market at the right time. In an equity market it is also vital to be able to select the right stocks.

"Logically, sector selection seems most important, but good stock selection will come through over the long term. For example, Confederation Life has a relatively conservative asset mix, but is one of the top performing funds because their investment managers were able to select stocks very well," says Mr Baker. Confederation Life's 1986 asset mix was equities 63 per cent, fixed interest 20 per cent, property 6 per cent, cash 5 per cent. The managers were also top performing fund over the 10-year period (1976-86).

The new blood of the unit trust managers on to the market has widened dramatically the alternatives for pension fund trustees. But the choice is made very difficult at present, because most of the unit trust managers are so new in the management of pooled pension funds. As every investment rule book says, it is foolhardy to concentrate too much on short term performance statistics and this is especially true for pension funds, whose long term liabilities mean one year's investment returns is just a drop in the ocean.

Robert Baker says: "Ideally, you need a three- to five-year time-frame, and for some investment houses there isn't a sufficiently long track record to tell whether their success is because they are good or lucky. Where we do recommend unit trust services to our clients is where they have track records of another sort—perhaps in individually managing pension funds."

But the managers have not yet experienced a full market cycle, and a key question is how they would perform if equity markets were not so strong. Mr Baker's answer is to point to studies which show that equities have done better than gilts, for instance, over the long term. "When a pension fund chooses an equity-biased manager, they will get a bumpier ride, but if they are prepared to stick with them, the long term strategy will come through," he predicts.

Performance tables are important then, but are not the only factor that trustees should consider. Mike Antony, of the successful unit trust managers Hendersons, agrees. "Trustees should look for the sort of managers whose style of philosophy suits them. Some people are more comfortable being part of a big managed fund." A rule of thumb should be: look at the performance tables, but also think about "comfort and style," he says.

The other factors that Mercer Fraser direct their pension fund clients to are: the risk profile (not usually evident from performance tables), the status of the organisation, the continuity of membership of the investment team, and the decision-making process on asset allocation and stock selection.

Leigh Hopkinson

Pooled pension fund performance

	One year (31 Dec 85-31 Dec 86)		Five years (31 Dec 81-31 Dec 86)	
1	Baillie Gifford (P)	35.8	Confederation Life (L)	26.9
2	Martin Currie (S)	32.2	Fraser Green (S)	25.8
3	London & Manchester (L)	32.0	Alexander Stenhouse (S)	25.1
4	Fidelity Intl (P)	30.7	Scottish Widows (L)	25.6
5	Henderson (P)	30.7	National Prov Inst (L)	24.6
6	Murray Johnson (S)	29.6	Provident Mutual (L)	24.6
7	Confederation Life (L)	28.9	Sun Life (L)	28.3
8	Chemical Bank (S)	28.8	Bankers Trust (S)	24.2
9	Mercury Warburg (P)	28.3	Clerical Medical (L)	24.1
10	Sun Life (L)	28.3	Crown Life (L)	24.0
	Total funds	53		35
	Fund average return	24.0		23.4
	National average earnings	7.4		7.5
	Retail Prices Index	3.7		4.9

(L)=life office managed fund (S)=single exempt fund (P)=packaged exempt fund

Source: Pensions Management, April 1987

INTERNATIONAL APPOINTMENTS

Dow Chemical lines up new chief executive

BY OUR FINANCIAL STAFF

Mr Frank P. Popoff, 51, has been elected president and chief operating officer of Dow Chemical Company, the second largest US chemicals company—after Du Pont—based in Midland, Michigan, and is to become chief executive on December 1.

Mr Popoff is to take the lead at Dow on the retirement from this office of Mr Paul F. Orreffice on his reaching the age of 60, in line with company retirement policy. Mr Orreffice will, however, remain chairman.

Mr Popoff has been an executive vice president of Dow since 1985. Dow's four executive vice presidents — Mr Hunter W. Henry, Mr Robert M. Keil, Mr Keith R. McKennon and Mr Joseph G. Temple Jnr — are to report to him.

Mr Hunter W. Henry, 58, executive vice president, is to assume overall management responsibility for all non-US areas of Dow Chemical and its global operations. The presidents of Dow's five non-US areas — Brazil, Canada, Europe, Latin America and the Pacific — will report to Mr Henry, as will Mr Donald A. Rikard, vice president and corporate director of manufacturing and engineering.

Taking stock: the operating board of Dow Chemical earlier this year—left to right, Mr Paul R. Orreffice, Mr Robert M. Keil, Mr Keith R. McKennon, Mr Hunter W. Henry, Mr Joseph G. Temple, Jr, and Mr Frank P. Popoff

Mr Keith R. McKennon, 53, has been appointed an executive vice president of Dow Chemical and president of Dow Chemical USA in succession to Mr Henry. Mr McKennon is also to have management oversight responsibility for the company's research and development activities and for the government and public affairs department.

Citibank money men quit in Frankfurt

THREE SECURITIES specialists have resigned from Citibank AG, the offshoot of the biggest US bank, to make a total of eight to have left the New York-based bank's Frankfurt securities division in the past six months, reports AP-DJ.

Mr Dieter Wermuth, head of research, and Mr Michael Hopf, bond salesman, are to join the Frankfurt syndication department of Manufacturers Hanover, Citibank's New York rival. This department is headed by Mr Bernd Meuller, who, along with three others, left Citibank in April.

Mr Udo Jensen, chief equities trader for Citibank AG, is to move to a local brokerage firm.

Last week, Mr Juergen Figura, who headed Citibank AG's syndication department, announced his resignation to join Industriebank von Japan.

* * *

MGM/UA Communications Company, of California, has announced that Mr Cy Leslie, chairman and president of its MGM/UA Home Entertainment Group, is to relinquish his duties on June 1.

Mr Leslie, 64, had previously announced his intention to step down from his current post rather than to move to the West Coast when the MGM/UA home video concern changes its corporate headquarters from New York

Investment banking changeover at Bankers Trust

BY DONALD MACLEAN

BANKERS TRUST Company, the main operating arm of Bankers Trust Inc, the New York-based, internationally operating bank holding company, has announced a widening of responsibilities in its investment banking side for Mr Ralph L. MacDonald, 45.

Mr MacDonald has extended his responsibilities from a financing role in the investment banking set-up of Bankers Trust to include advisory matters.

This follows the resignation of Mr David O. Beim, 46, who is understood to have left the advisory positions in the Bankers Trust set-up, to pursue investment banking opportunities elsewhere.

The changes come at a time when Bankers Trust and other US commercial banks are chipping at the edges of the Glass-Steagall Act, which was put into operation in the thirties to separate the activities of deposit-taking banks using the money so raised as their main field of operation from the activities of investment banks, more closely involved with financial services.

It is only this month that the Bankers Trust group, as represented by the holding company, together with some other commercial banks has been given court approval to widen its sphere of operations in the investment banking field — in the case of Bankers Trust through BT Securities, a subsidiary of the holding company. The number of banks involved in this widening, first three, has been increased this week.

Mr MacDonald's field lay previously in the financing of such things as management buy-outs —a growth industry in the US —of mergers and acquisitions in general, and in things such as municipal financing and capital markets. Mr Beim leaves a clients' advisory role in this connection to be taken over by Mr MacDonald.

The recent court decision widens the Bankers Trust group powers to include in its activities underwriting (which covers if necessary taking up issues as a principal) and to deal in commercial paper, municipal revenue bonds and (home) mortgage-backed securities.

An associated change brings Mr Eugene B. Shanks into the position of forming relationships with financial institutions and getting together capital markets and public financing transactions.

Accountancy Appointments

FINANCIAL MANAGEMENT

International Banking

City c. £25,000 plus car and benefits

Our client is the international division of a major UK bank, with assets of more than £20bn and income approaching £500 million. Following the promotion of the present incumbent, there is an urgent need to recruit a manager within the Financial Control department to lead the young and enthusiastic management reporting and analysis team of 8.

The team's task is to produce a wide range of monthly financial reports and detailed analyses of significant trends and results. The manager's role is to continuously enhance the timeliness, format and accuracy of reports prepared by the team and the quality of the analysis and commentaries submitted to senior management. This is a high profile role requiring considerable accounting, interpersonal and management skills in a sophisticated and highly computerised environment.

Candidates should be young graduate chartered accountants with a first class track record and with experience of large, complex, international corporations, gained both within the profession and in commerce. In addition to the salary quoted and a car, the bank offers the full range of benefits usually associated with the financial sector of the market, and excellent promotion prospects.

Please write in confidence with full career details, quoting reference 6335/L to John W. Hills.

KPMG Peat Marwick McLintock
Executive Selection and Search
9 Creed Lane, London EC4V 5BR

Regional Financial Controller

Contiki

Bromley, Kent £ Neg + car + benefits

Contiki Travel are an expanding leisure group specialising in holidays for the 18-35 age group. The group currently operates in over 25 countries and has a firm commitment to future development and expansion. Group turnover currently exceeds $50m.

Reporting to the Regional Managing Director, the Financial Controller will have full responsibility for the financial and administrative aspects of the European operation.

Controlling a team of eleven, the position will be responsible for management and financial accounting, company administration and secretarial functions as well as further development and enhancement of sophisticated regional management information systems. The position will involve some European travel.

The successful candidate will be a qualified accountant aged 27-35 with at least 2 years experience in a commercial environment, ideally in a service industry. Essential will be the ability to communicate effectively with senior management as well as the assertiveness and strength of personality to formulate plans and to see them through to completion.

This is an excellent opportunity providing real prospects for a move into general management for the right candidate.

If you believe you have the ability, determination and commercial approach that our client requires, contact Tim Forster on 01-831 2000 or write to him at Michael Page Partnership, Southern Home Counties Division, 39-41 Parker Street, London, WC2B 5LH.

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International Recruitment Consultants
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Hi-Tech Opportunity
Financial Manager

Hants c£20,000

Our client is an autonomous division of a major international corporation whose success has been built on technology serving a variety of industries. The division designs, manufactures and markets sophisticated test and measurement equipment.

As a result of internal promotion they now seek to appoint a Finance Manager. Reporting to the Financial Controller and supervising 8 staff you will be responsible for all monthly financial reporting, planning and forecasting, systems development and ad hoc project work.

Ideally, applicants will be graduate ACA or ACMA, with an excellent track record of achievement to date. The successful candidate will have the ability to communicate effectively at senior level as part of the overall management team.

If you are ambitious and feel this may be the opportunity for you then please contact Mark Carriban ACA on 0753-856151 or write enclosing a comprehensive CV to:
Michael Page Partnership at
Kingsbury House, 6 Sheet Street,
Windsor SL4 1BG, quoting reference SV1054.

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Senior Finance Executive

Top level plc appointment

Surrey
c£40,000 + bonus + share options

Our client is a highly successful and fast expanding publicly quoted industrial group of autonomous companies, with exciting growth prospects both in the UK and overseas. The entrepreneurial flair and strength of the Board is reflected by recent record profits.

This new appointment will carry responsibility for operational accounting matters throughout the group. Reporting to the Group Finance Director the role will also involve active participation in the review, integration and divestment of acquisitions and investments.

A qualified accountant, probably in his or her late 30's is sought. Experience should include both group and operational roles with exposure to the various levels of a management structure, ideally within a major plc.

This exciting position will not suit the average performer. The person sought will stand out from the crowd as being able to demonstrate ambition, dynamism, innovation and self confidence.

Salary will not be a problem for the right person and in addition benefits will include share options, bonus and quality car.

As advisors to our client, we will fully respect the confidentiality of any initial approach from those interested in discussing this further.

Alternatively, please write with a full CV quoting current salary and reference MCS/5083 to Barrie Whitaker
**Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL.**

Price Waterhouse

Senior Financial Manager

City based £35K + Car

Our client is a successful brokerage house dealing in futures and foreign exchange. The company has an excellent record of growth and profitability and operates internationally.

They currently require a Senior Financial Manager to join their Head Office team with responsibility for providing monthly management accounts and statutory accounts and developing computer systems. They will also become involved in the financial control of treasury and operations.

The candidate sought will be aged 26-34, a Chartered Accountant with a "big 8" background who has either reached management level within the profession or has gained relevant experience within a city based financial institution.

For an above average performer who is prepared to work extremely hard and become involved in the broader aspects of an expanding company, the prospects for advancement are excellent.

Interested candidates should write, enclosing a curriculum vitae and daytime telephone number, *quoting ref. 394 to* **Philip Rice MA, ACMA,
Executive Division, at
39-41 Parker Street,
London WC2B 5LH.**

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Chief Accountant

South Midlands £20,000 plus car

This successful £40m turnover engineering company, an autonomous part of a major Plc is looking for an ambitious accountant with the ability to progress.

Reporting to the Finance Director, the candidate will have control of the finance function and, in particular, will have an important involvement in further computerised systems development in a manufacturing environment. Aged between 28 and 35, the candidate will be a member of one of the three major accountancy bodies, likely to be a graduate, will be ambitious and developing a commercial awareness.

Career prospects are excellent in this successful company for the appropriate candidate.

Applications are welcomed from men and women.

Please send full career details, including salary progression, to John Elliott FCA, Director, Overton Management Selection, Monaco House, Bristol Street, Birmingham, B5 7AS, or City House, Maid Marian Way, Nottingham, NG1 6BH, or telephone 021-622 3838 or 0602 470249 respectively for an application form, quoting reference II/1625.

OVERTON
MANAGEMENT SELECTION

FINANCE DIRECTOR
Designate

SW London c.£30,000 + Car

Our client is a successful privately owned group of companies operating in the UK and overseas in specialist civil engineering and building contracting. Current turnover is approaching £15 million and there are plans to develop organically.

The company now wishes to appoint a Finance Director who will report directly to the Managing Director and will be responsible for all financial and secretarial matters in the UK and overseas companies.

Candidates aged c30-45 must be graduate qualified accountants (preferably chartered) and will have had several years construction industry experience at chief accountant/controller level. Well developed business and personal skills and a willingness to travel are essential.

Please write in complete confidence, including a daytime telephone number to

**Edward Ross-McNairn, (quoting ref. F7107),
Clark Whitehall Consultants,
25 New Street Square, London EC4A 3LN.**

Clark Whitehill Consultants
Executive Selection

Group Finance Director

London to £40,000 + car + bonus

This vital post calls for an Accountant committed to the management of change.

Our Client is a successful privately owned Group of Companies principally engaged in manufacturing for the electronics market. They employ over 400 people on three sites in the UK and are about to embark upon an ambitious programme of reorganisation and modernisation.

Working closely with the young Chief Executive and his Deputy, the successful candidate will have full responsibility for the day-to-day control and administration of the Group as well as taking part in the development and execution of business plans.

Applicants will ideally be graduate accountants, aged around 35 years, with a background in manufacturing. Their experience should include the design and implementation of financial controls and systems together with balance sheet responsibility. They must demonstrate the ability to communicate at all levels, maintain standards of excellence and exert the same discipline and enthusiasm for the control of daily running costs as they would for the acquisition of tomorrow.

Applications should be sent in the first instance to the address below quoting Ref: RMM 726.

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Standard Chartered Merchant Bank is seeking an auditor to join its Internal Inspection team.

The role will provide a broad exposure to the Bank's diverse activities and should prove a challenging environment for an articulate young accountant or banker with a talent for problem-solving.

The successful candidate will be involved in reviews of controls and systems as well as special projects with the emphasis on recommending improvements to operational procedures. They will be expected to have the ability and motivation to develop computer audit skills and knowledge of compliance procedures. The confidence, initiative and personal credibility to sustain the co-operation of senior management will also be essential.

Applicants should have a good academic record with experience of the financial services sector, preferably in banking. An attractive remuneration package is offered which will reflect the individual's ability to make an immediate contribution.

Those interested should apply in writing, and in confidence, to:-

Peter Llewellyn
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33-36 Gracechurch Street
London EC3V 0AX

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MANAGEMENT ACCOUNTANT

City **£ negotiable + benefits**

One of the world's most successful Financial Services Groups seeks to recruit a young *ambitious Management Accountant for its Corporate Head Office* based in the City.

Working within a close-knit team and reporting directly to the Group Financial Controller you will be responsible for:

- **Development of PC based financial analysis**
- **Mainframe based systems review and enhancement**
- **Budgeting analysis and Group financial reporting**
- **Ad hoc projects and investigations**

This role offers excellent experience and career prospects for a newly/recently qualified accountant (ACA, CIMA, ACCA) aged between 23-27. Well developed inter-personal skills are vital as this role will carry a significant amount of exposure at senior management levels. In addition, previous exposure to current group reporting standards together with tax compliance and planning techniques is desirable.

The company offers a highly competitive salary which is negotiable according to age and experience together with an outstanding benefits package.

mh

Interested applicants should contact Phillip Price ACA on 01-488 4114 or write to him quoting ref. 6919 enclosing a full curriculum vitae at Mervyn Hughes International, 63 Mansell Street, London E1 8AN.

Chief Internal Auditor

C£30,000 + Car & Financial Sector Benefits

South Coast

This client is a substantial UK financial services group with a record of sustained expansion which has been achieved by successful product definition, strong marketing and national coverage through a network of branches.

The Chief Internal Auditor is a key senior management role which requires good organisational and management skills together with the ability to provide top management with sound advice and the knowledge and *judgement to decide when to seek external assistance.*

Applicants should be qualified accountants, aged 32-40, with considerable experience of external, internal and DP audit plus sound business *acumen and the ability to communicate at all levels.*

There is a comprehensive remuneration package including relocation assistance where necessary.

Please apply in confidence quoting ref. L 284 to:

Brian H Mason,
Mason & Nurse Associates,
1 Lancaster Place,
Strand,
London WC2E 7EB.
Tel: 01-240 7805

Mason & Nurse
Selection & Search

Financial Planning Manager

SCOTT
SCOTT LIMITED

Surrey/Sussex Borders **FMCG Company** **£20-25,000 + Car**

Scott, a US company operating in over 60 countries, is the world's leading manufacturer and marketer of tissue paper products. *Many brands are sales leaders in local markets:* products include Scotties, Handy Andies, Andrex and Fiesta Towels. Following the acquisition of Bowater's 50% share in the UK company in 1986, the UK and European operations have entered a dynamic and exciting phase of development.

Reorganisation of the finance function, based at the East Grinstead head office, has created a position involving supervision of a small, high calibre team with responsibilities for corporate strategic planning, competitive analysis, decision support and control with a wide variety of commercially orientated ad hoc projects. This high profile role interfaces at Director level and will involve extensive contact with non-financial management, in particular the manufacturing and distribution functions. The position offers an opportunity to make a significant impact together with excellent prospects for rapid advancement.

The successful candidate will be a qualified accountant aged 27-35 with manufacturing exposure and planning experience in a large company environment. Excellent communication skills are essential together with the drive, enthusiasm and ambition to respond to the challenge offered by this newly created post. A first class salary package will include executive car, senior management benefits and a generous relocation package where appropriate.

For further information contact Chris Sale on 01-831 2000 (evenings and weekends 01-622 5321) or write to him at
Michael Page Partnership,
Southern Home Counties Division,
39-41 Parker Street, London WC2B 5LH.
quoting ref: LS473.

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FINANCE DIRECTOR DESIGNATE

South Coast Major architectural practice

This fast growing practice has now reached the stage of needing a young qualified ACA to join the senior management team and contribute to the continuing development of *the business, for which a USM flotation is* envisaged in 1988.

The emphasis will focus on the enhancement of computerised systems and innovative management accounting in a dynamic, fee based organisation. The person appointed will control and manage an established function which supports several offices. Further growth is actively being planned.

Candidates must have good systems experience and be used to working in a professional service environment. Particular experience in a service organisation related to *the construction world would be useful.*

Salary will not be a limiting factor as the partners seek someone who will share with them in the continued profitable growth of the practice. A car and other benefits are provided plus relocation assistance, if necessary.

Please send career details, including current salary and quoting reference 5592/L to Mike Smith.

KPMG Peat Marwick McLintock
Executive Selection and Search
9 Creed Lane, London EC4V 5BR

"Aspirations to General Management?"
FINANCIAL MANAGERS

£20-24,000 + fully expensed car + senior management bonus

Our client, a major household name in the retail/rental business, part of a blue chip PLC, has an enviable record of innovation, growth and profitability. A progressive policy of decentralisation has created three new positions for Financial Managers within operating divisions in the **North East/Yorkshire, Lancashire/Merseyside** and **North West London** areas, each with sales income between £15m and £30m per annum.

These broadly based senior roles are required to provide the backbone of a new financial management and reporting structure. Early progression to General Management is envisaged for high performers.

The Number One financial position in a highly autonomous division, this role acts as a direct support to the General Manager, providing an overall financial management service. As well as running an accounts function (10-15 staff) and overseeing financial reporting and debt management, the role embraces the development and implementation of company objectives and strategies, forecasting, budgeting and business planning. As the divisions are newly created, the Financial Managers will have considerable scope to develop a strong and effective finance structure.

Candidates should be graduate qualified accountants aged c.28-35. Specific experience is less important than commercial flair, the ability to communicate effectively, and a record of positive career progression. The renumeration package will consist of a basic salary in the range £20,000-£24,000 plus fully expensed car, BUPA, contributory pension, and participation in the senior management bonus scheme. Relocation will be available where appropriate.

Initial enquiries to Greg Ripley (London Office) or Angela Wright (Manchester Office).

Robert Half Personnel, Roman House, Wood Street, London EC2Y 5BA. 01-638 5191.
Robert Half Personnel, Peter House, Oxford Street, Manchester M1 5AW. 061-236 0101.

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From £25,000 + excellent career prospects

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We are Pedigree Petfoods, a major company within the Mars Group. The starting salary shows that we're serious about attracting real talent. Your best guide to career prospects is that whichever Mars unit you visit, anywhere in the world, you are likely to find senior managers who initially joined Pedigree Petfoods.

Now, following an internal development move, we are looking for ambitious qualified accountants (ACA/ACCA/ACMA) with the potential to make a significant impact on our business future.

We are not just looking for specialist accountants to fill particular jobs. We want to hear from accountants with a flexible attitude to their development who will actively seek a range of different challenges as their careers progress.

Are you good enough to take on these challenges? Are you one of the high-achieving accountants who can meet our demands?

A comprehensive benefits package will include assistance with relocation to the attractive rural East Midlands near Melton Mowbray if appropriate.

To obtain more detailed information, ring 0533 551282 ext 243 (manned 24 hours a day).

Do not send a cv at this stage.

Applications are invited equally from women and men.

Pedigree Petfoods

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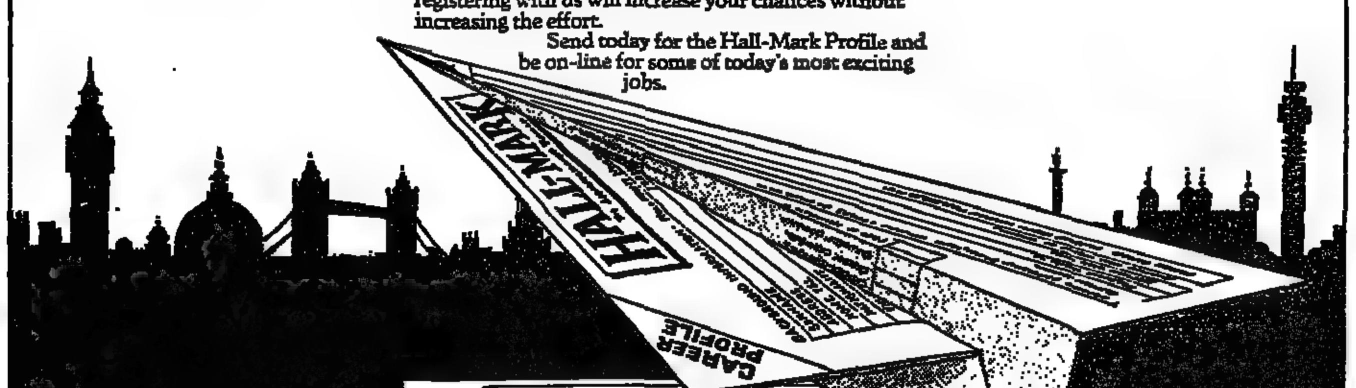


HALL-MARK
The Appointments Register

London House, 271-273 King St., London W6 9LZ

Applicants:
To take advantage of our fast, *free* and fully confidential service, post off the coupon to: Michael Polley, FCA, MBA, Hall-Mark Appointments Register, FREEPOST, London W6 9BR (no stamp required). Telephone: 01-741 8011/01-748 3444 (24 hrs.) Prestel 013903873.

SURNAME (Mr/Mrs/Miss/Ms) ____________

FORENAME (s) ____________

ADDRESS ____________

____

____

POSTCODE ____________ FT 21/5

EMPLOYERS: OUR CONSULTANT J. BENNETT WILL BE HAPPY TO DISCUSS OUR SERVICES. TELEPHONE HIM ON 01-741 8011.

Financial controller

Southern England, c £30,000 + car

This is the engineering subsidiary of a major international group and is engaged in the design, manufacturing and construction of specialist plant throughout the world as well as for the manufacture of a variety of component parts. The turnover of this company is around £25m and it employs about 500 people, of whom over 200 are highly qualified engineers.

It now seeks a Financial Controller to take charge of the engineering accounting function. In addition to normal financial and management accounts a key area will be contract accounting for worldwide operations which also necessitate international financing and contact with ECGD. Reporting to the Financial Director, this is seen as a key appointment with very considerable prospects for the future within the company or within the overall Group.

The ideal candidate is likely to be aged around 35, a qualified accountant with experience in the construction, engineering or fabrication industry. Complete familiarity with contract accounting and excellent knowledge of ECGD and similar procedures, along with a good working knowledge of computers, both in accounting and contract control, are essential. International experience is highly desirable. The personal qualities necessary to move in alongside a highly experienced team of managers, as well as the ability to build up and train the financial team, are vital.

The excellent offices are located in a very pleasant part of Southern England with good access to London and the Coast and outstanding schools and other facilities. Terms and conditions of service as part of a major group are extremely attractive and include a beneficial share option scheme, fully expensed car, contributory pension and favourable assistance with relocation where this is appropriate. Please apply in confidence with brief CV to Gregory T M Hinds, Ref. GH675.

Coopers & Lybrand Executive Selection

Coopers & Lybrand
Executive Selection Limited
Shelley House 3 Noble Street
London EC2V 7DQ
01-606 1975

Planning and Control

Tourism

London base — to £27,500 + car

This is a newly created position in the tourism division of a major international group. The company is a market leader in its specialist field and has ambitious plans for expansion in this fast growing sector.

Working closely with the Finance Director and other senior executives, your role will encompass all aspects of planning and control. The initial emphasis will be on upgrading financial and management information, and thereafter you will provide a continuous analytical and critical assessment of the plans, budgets and performance of the operating subsidiaries. You will also be involved in a variety of 'ad hoc' projects and in acquisition studies. There will be frequent overseas travel to Africa and the Pacific.

Probably around 30 you will be a qualified accountant with a strong track record in the profession, in consultancy or in commerce. An outward going personality is essential together with the energy, ability and imagination to make a major contribution to the profitable growth of the business. The opportunities for career and salary progression are excellent.

Please write in confidence to John Cameron, quoting ref. C 795, at 84/86 Grays Inn Road, London WC1X 8AE (telephone 01-404 5971).

CAMERON · SIMPSON
Consultancy · Search · Selection

Chief Internal Auditor

£23,051 to £26,216 p.a. inc.

As a result of promotion we are seeking a self motivated and fully qualified Accountant with audit experience to head the internal audit function.

You will be responsible for the development, maintenance and security of all internal audit matters at the Council and its various outstations, subsidiary and associated companies.

You will also develop and promote advances in auditing techniques and applications including computer audit and ensure the maintenance of audit standards and performance. In addition you will be responsible for audit planning, determining policy and objectives and allocation of audit resources.

If you are seeking to broaden your experience this post offers audit involvement in a great variety of financial activities including treasury management, Headquarters and research expenditure, national advertising, overseas consultancy contracts and the accounts and investments of the Electricity Supply Industry's Pension Scheme.

You should have a good knowledge and experience of modern audit techniques and sound working knowledge of accountancy and use of computer facilities.

Please write in confidence giving full details of your career to date and present salary quoting Ref. 26/FT to:

D. J. Webb, Recruitment Officer,
The Electricity Council,
30 Millbank, London SW1P 4RD.

The Council is an Equal Opportunity Employer and welcomes applications from disabled people.

ELECTRICITY COUNCIL

NATIONAL SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN

'Child abuse – Help us protect them'

Rapid expansion of childcare services and the consequent need to refine and develop fundraising activities are changing the face of this major charity. We are looking for two professionally qualified Management Accountants, based in our London Headquarters, to work with the Appeals and Child Care Divisions to improve financial decision making and optimise the allocation of resources.

Probably aged in your late twenties or early thirties, you should have experience of producing and analysing management information and of project evaluation. You should have excellent communication skills with the ability to produce lucid and concise reports, analyse complex issues and explain financial concepts to non financial managers.

APPEALS DIVISION
MANAGEMENT ACCOUNTANT

As a key member of the Appeals Division management team and reporting to the Appeals Director you will play a major role in ensuring the division meets its target of increasing voluntary income from £13 million to £23 million per annum within the next five years.

Your responsibilities will include a continuous review of fundraising activities in order to ensure the efficient allocation of limited resources and the identification of new projects for development. You will be expected to initiate techniques and proposals leading to cost savings within the division and improvements to the management information and budgetary systems in use. In addition you will act as divisional representative on all finance and systems related matters including the setting of budget parameters and timetables and the development of computerisation within the Division.

CHILD CARE DIVISION
MANAGEMENT ACCOUNTANT

At a challenging time of expansion and growth, with expenditure doubling over five years, this post offers the opportunity to optimise the effectiveness of the Society's services to protect children.

Initially, reporting to the Head of Finance but liaising closely with the Child Care Division your first responsibilities will be to develop sound budgeting and financial management information systems for non financial managers. You will work with budget holders to analyse and explain financial information with a view to improving efficiency through cost savings and producing accurate budgets and forecasts.

As the financial specialist of the division you will act as its representative on finance and systems related matters producing and presenting reports to the management team and budget review meetings.

Why the NSPCC?
Benefits for you and your career:

- Innovative – use your creativity to develop ideas and initiate new projects.
- Challenging – They are key positions within an expanding organisation.
- Professional – An opportunity for a professional approach to produce real results.
- £17,500–£19,000
- Society car
- Non-contributory Pension
- 22 days annual leave plus 2 statutory days

Please send CV in strict confidence to: Personnel Department, NSPCC, 67 Saffron Hill, London EC1N 8RS.

The NSPCC is an Equal Opportunity Employer

NSPCC
FOR THE SAKE OF THE CHILDREN

Financial Controller

St. Albans, Herts — £22-24,000 + car + benefits

Our client is a £150m turnover manufacturing group and is the largest of its kind in the UK. It already has some of the most sophisticated production processes in Europe at a number of manufacturing locations, and is now committed to continued investment to enhance future profit growth potential.

An outstanding opportunity has now arisen to join the Senior Management Team as Financial Controller, based at the Head Office, with responsibility for:–

- ★ Preparation of statutory, financial and management reports.
- ★ Development of sophisticated EDP based financial and product costing systems.
- ★ Financial planning, budgeting and forecasting.
- ★ Cash management and control.

Applicants should be qualified accountants, aged 28+ and should be able to demonstrate a successful track record at senior management level ideally within a manufacturing environment. Prospects are excellent.

Interested applicants should contact John Zafar on 0727 65813 or write to him enclosing a CV quoting ref: HCN 1006 at Centurion House, 136/142 London Road, St. Albans AL1 1SA.

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Financial Director

Manchester
c £35,000 + car & benefits

Our client, a dynamic plc, engaged in the manufacture and wholesaling of consumer durables wish to strengthen their executive team. Reporting to the group chairman and managing director the appointee will direct the finance function and contribute to strategic planning.

Prime responsibilities will include business planning, budgetary control, financial and management accounting, treasury management and the development of information systems.

Remuneration will be negotiable and benefits will include executive car, BUPA, contributory pension scheme and if appropriate, relocation assistance.

Chartered Accountants, ideally aged 30 to 40 who can demonstrate a significant contribution to corporate growth are invited to forward a written application, quoting MCS 207 enclosing curriculum vitae and current remuneration details to Oliver Overstall at:

Price Waterhouse,
Management Consultants,
Executive Selection Division,
York House, York Street,
Manchester M2 4WS.

Price Waterhouse

Finance Director

Surrey — £40,000 + car + incentives

Our client, a financial services subsidiary of a major 'City' institution, is looking to recruit a Finance Director. The parent company has ambitious plans for the rapid growth of the subsidiary through acquisition over the next few years.

The individual sought will work closely with the Managing Director in developing the business and will be expected to assume the leading role in all financial aspects of this development. They will play an important part in the acquisitions and in their effective integration.

As the company builds towards its planned size, the role will become more orientated towards financial management. An important element of the position will be the development of management information systems and previous experience in this area would be important.

You will be aged 32-40 and a Chartered Accountant, with recent experience in a similar position. However, a senior manager with a "big 8" firm and a financial sector bias, would also be considered. The most essential attributes are, a strong commercial approach, a well developed business acumen and excellent inter-personal skills.

Interested candidates who meet these demanding requirements should write, enclosing a comprehensive C.V. and daytime telephone number, quoting ref. 411 to Philip Rice MA, ACMA, Executive Division, 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

MANUFACTURING CONTROLLER

c £18,000 + Car + Benefits — London

Through sheer innovation and creativity, our client has revolutionised interior office design within a highly competitive market, and has developed an exclusive international client base.

Working closely with the Financial Controller, you will need a strong Cost Accounting background (preferably gained within Manufacturing or Distribution), and fully appreciate the role of sophisticated D.P. systems, the development and maintenance of which will be your major priority.

While an ICMA qualification would be an advantage, our client is more concerned with drive, enthusiasm and commitment. Rarely will you be given the chance to develop your career as quickly or handle such levels of responsibility so early on.

For more details call Mary Ann Shuldham on (01) 434 0175. Alternatively, send your curriculum vitae to her at The Hamilton Partnership, Hamilton House, 61 Oxford Street, London W1R 1RB.

BROAD HORIZONS
for marketing-minded CA

London — c. £20,000 + car

Clark Whitehill is a leading national firm of Chartered Accountants and business advisors with offices and associates throughout the country. Clark Whitehill Associates is the central organisation which provides technical, administrative and marketing services to member firms.

We are recruiting for the new position of Executive Officer which carries responsibility for developing the Association's advisory functions. In particular, the Executive Officer will be concerned with up-grading quality standards, creating technical programmes and identifying new business opportunities for member firms.

The Executive Officer will be responsible to the Chairman of Clark Whitehill Associates and, as co-ordinator of the regional committees, will be a regular visitor to all the UK firms.

The successful candidate will be a Chartered Accountant aged 26-32, whose training has included business services for smaller clients and who possesses a blend of organisational, technical and marketing skills. Personal qualities will include an ability to grasp quickly technical developments and the strength of personality to organise and control business meetings.

Write initially with a C.V. to J H F Gemmell (quoting ref. F7111)
Clark Whitehill Associates
25 New Street Square, LONDON EC4A 3LN

Clark Whitehill

Corporate Planner/ Business Development Manager

City : c.£30,000

Our client, a prominent and successful financial services plc, seeks to expand its management team by the recruitment of an executive, responsible for corporate planning within dynamic strategic objectives

The successful candidate is likely to be a graduate/accountant/ MBA with experience in financial analysis, development of corporate strategies and acquisitions.

The appointment will carry the fringe benefits normally expected at this level and will include the provision of a car, mortgage subsidy, profit share etc.

Please write with full details. These will be forwarded direct to our client. List separately any companies to whom your application should not be sent. John Welsh ref. JSW/B/3.

MSL Advertising,
52 Grosvenor Gardens, London SW1W 0AW.

Offices in Europe the Americas, Australasia and Asia Pacific

MSL Advertising

CHIEF ACCOUNTANT

A leading firm of architects in London W1 with a rapidly expanding and varied workload providing professional architectural and related services seek a Chief Accountant reporting to the Finance Partner and responsible for the finance function and running a department of 12 staff.

The work will be varied and includes further development and enhancement of VAX 730 computer based management information systems, forecasts and monitoring of cash flow, budgets, credit control etc.

The selected person will be a self motivated qualified Accountant and likely to be in their mid 30s. Previous experience within a similar professional firm or company in the construction or engineering industry would be useful but not essential.

In recognition of the importance of this position a very attractive salary circa £22,000 plus car and other benefits is offered for the right candidate.

Please write giving full career details, age and qualifications, to:

Box A0528, Financial Times
10 Cannon Street, London EC4P 4BY

مكتبة الأصيل

Finance Director Designate

Crawley **c£30,000 + Car**

Our client, a well established financial institution specialising in the areas of hire-purchase and leasing is seeking to recruit a Financial Director Designate for its Head Office at Crawley.

The Company have an expanding branch network throughout the South of England. They have an enviable growth record over the past five years and are looking for a commercially astute and technically above average, Chartered Accountant to work closely with the Managing Director in the management of the company.

Responsibilities include the management of 20 staff in providing monthly management accounts, statutory accounts, tax planning, budgets and in further developing management information systems.

The successful applicant will probably be in their early thirties with a confident manner, strong management experience and a high standard of computer literacy.

Interested candidates who meet these requirements should write to Philip Rice MA, ACMA, Executive Division, enclosing a comprehensive C.V. and daytime telephone number quoting ref: 405 at 39-41 Parker Street, London WC2B 5LH.

MP

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Group Financial Controller

Kent *c.£35,000 plus car & benefits*

Our client, the subsidiary of a major, diversified British plc, manufactures specialist components for the automotive, agricultural, defence and allied industries. Located in custom-built modern premises in Kent, the Company also manufactures and refurbishes machine tools and spares through its Coventry based subsidiaries. With turnover approaching £30M and a highly impressive customer base, further expansion is planned.

Reporting to the Managing Director, you will form an integral part of the Group's Management Team and contribute significantly to Board level decisions. You will assume responsibility for the finance function, which includes the data processing department, and be expected to enhance the Group's decision making process by improving management information.

You will be a qualified accountant, preferably Chartered, aged 35-45, with substantial manufacturing experience. Particular knowledge of stock control techniques, standard costing and systems development is essential. You will have a strong personality complemented by drive, determination and self confidence.

The attractive remuneration package includes a fully expensed car, and relocation expenses will be provided if appropriate.

Please reply to Basil Miller, in confidence, quoting reference 1758/FT on both envelope and letter.

Deloitte Haskins+Sells
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL.

Financial Controller

c. £18,000
+ bonus, car and other benefits
Reading

The Company
A long-established private company with a £20m turnover from a chain of retail shops in Southern England. The company is expanding from a strong asset-base and offers a challenging career.

The Job
The Controller will contribute to the company's growth and profitability by exercising strict financial management throughout the organisation; and will have particular responsibility for budgets, accounting (and interpretation of results), treasury, internal audit, control and the operation and development of computer systems, to link with existing EPOS in all branches.

Candidates
Qualified accountants, preferably in their 30s, with commercial experience, ideally in the retail sector and familiar with computerised systems. Personal qualities sought include the ability to think creatively, capacity for leadership and team work and a commitment to the practice of Christian ethics in business. Applicants of any racial groups may apply.

Please apply to: Sir Timothy Hoare, Career Plan Ltd, Chichester House, Chichester Rents, Chancery Lane, London WC2A 1BG Tel: 01-242 5775

Career plan LIMITED
Personnel Consultants

FINANCIAL CONTROLLER

ROSSENDALE, LANCASHIRE

£20K + Car + Substantial Benefits

Micro Peripherals Ltd. is one of the U.K.'s most successful independent importers and distributors of micro-computer printers and ancillary products. In line with our continued expansion strategy, a position now exists for a highly-professional and experienced Financial Controller, to be based at our northern office in semi-rural Lancashire.

At the present time we are a medium-sized company; however, we do not intend to remain static and are consequently *actively seeking an* ambitious individual who requires real job satisfaction and who intends to seize opportunities for self and company progression within our fast-moving market place.

This position would ideally suit an energetic, self-motivated and enterprising chartered accountant who is not only capable of demonstrating a detailed financial accounting knowledge but has the flair and determination to realise the enormous potential that this position *offers for* the truly career-minded professional.

The work is challenging and varied and includes the preparation of detailed schedules for year-end work and the control of the year-end audit, as well as responsibility for the day-to-day control of all financial data processed through our computer, which combines a fully-integrated stock control and nominal ledger.

Our company is achievement motivated and although the work is *demanding and exacting* the rewards and benefits are commensurate. Full details of the benefits and a complete work specification are available on request. Interviews will be held in Rossendale, Lancashire.

Please telephone the undersigned now for an informal discussion, or apply in strictest confidence to:

M/s Laurie O'Brien
Human Resource Manager
MICRO PERIPHERALS LTD
Intec 2, Wade Road, Basingstoke, Hants
Tel: 0256 473232

MP Micro Peripherals Ltd

FINANCIAL CONTROLLER

c£25,000 plus Company car and usual benefits

WEST YORKSHIRE

A rapidly expanding Yorkshire-based public company with significant overseas interests and turnover approaching £150 million, invites applications for the position of FINANCIAL CONTROLLER of its UK operations. The *successful candidate* will also be appointed Group Company Secretary.

The position encompasses not only full financial responsibility for the UK trading operations which recently have had an enviable profit growth, but also preparation of the consolidated group accounts and involvement in Group corporate matters.

The successful candidate is likely to be a Chartered Accountant and should also possess a positive personality with an alert and lively style of working. The position will involve working closely with the UK Managing Director and Group Financial Director.

Applications in strict confidence, with full CV should be sent to Box A0533, Financial Times
10 Cannon Street, London EC4P 4BY

LOOKING TO THE FUTURE - BANKING ON SUCCESS?

CIBC

- THEN CIBC, AN EXPANDING AND DYNAMIC NORTH AMERICAN BANK, HAS THE CAREER OPPORTUNITIES FOR YOU.

As a result of our continuing success we are shortly moving to purpose designed offices in London Bridge City and now have a number of opportunities for Accountants, both qualified and part qualified to join our small but established accounting team.

ACCOUNTANT SUBSIDIARY COMPANIES

A young ambitious qualified accountant or finalist with a good track record is required to manage our UK Subsidiary Company section. The responsibilities will include the preparation of monthly financial reports, management and statutory accounts and the development of new and existing computer systems.

ASSISTANT FINANCIAL ACCOUNTANT

A young qualified accountant or finalist with experience of working in a mainstream financial reporting environment is required as the number two in a small team. The key responsibilities will include month end reporting and management accounting for our London mainstream banking unit.

MANAGEMENT ACCOUNTANT PLANNING

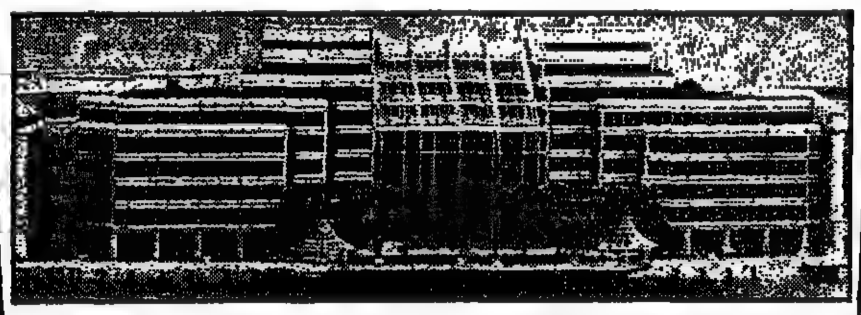
A qualified accountant ideally with 2 years post qualifying experience is required to co-ordinate and consolidate annual plans and quarterly forecast for certain of our banking operations in London. The ability to analyse and constructively report on variances is an essential quality.

ASSISTANT FINANCIAL CONTROLLER

For our Merchant Bank subsidiary - a qualified accountant with 2 years related experience including production of accounts and Head Office returns.

If you think you have the necessary skills and relevant experience, with knowledge of PC modelling techniques particularly LOTUS 1-2-3 and are willing to make a commitment to our growth and success you will find we are able to offer a highly competitive and attractive remuneration package in an environment which will reward individual performance and potential.

To apply write enclosing your full C.V. and stating which position interests you to Kay Pierce, Personnel Officer, Canadian Imperial Bank of Commerce, Cottons Centre, Cottons Lane, London SE1 2QL.



SENIOR FINANCIAL ACCOUNTANT

If you've outgrown your present company, we can accommodate your ambition

c.£23K + benefits
London

Recent reorganisation within BT's International Products Division has given rise to this excellent opportunity. Moving into a new environment, 'International Operations' is aggressively exporting telecomms products and systems across the world. Part of this strategy has been the establishment of operations overseas.

This organisation has tremendous potential and is able to offer this opportunity to an ambitious Financial Accountant (*Chartered or Certified*) who seeks a broader platform, bigger prospects and international scope.

We're looking for someone with initiative capable of developing our recently installed mini computer based accounting system to its full potential in order to provide high quality financial and management accounting information with strict controls. You will take full responsibility for your innovations, will lead by example and motivate a young accounting team complementing their training with your professionalism.

You will need to be a fully experienced financial accountant with proven systems ability and practical awareness of business realities. You may come from the profession via industry and you're now ready to put the talents you've accumulated fully to the test. Knowledge of statutory accounting in overseas territories would be an advantage.

The starting package includes a salary in the region of £23K, a bonus opportunity and other large company benefits. Future career development prospects are excellent.

If you feel your career needs more scope, please phone or write with cv to: Fiona Robinson, Personnel Manager, *British Telecom International Operations*, Room 419, 12-15 Finsbury Circus, London EC2M 7DP. Tel: 01-588 1278. Please quote ref: FT 25.

British TELECOM

British Telecom is an equal opportunities employer.

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR

Corporate Controller

For Two US Divisions of Siebe Plc
Windsor Based, c £27,500, Car, Benefits

This position offers an opportunity to join the small, close-knit team at the centre of one of Britain's most ambitious and progressive industrial groups. Siebe's international expansion has been spectacular in the last few years and more than half of the £1000 million plus turnover now comes from overseas operations. The person appointed to this new post will be responsible for assisting in the control of two recent US acquisitions, with combined sales in excess of $750m. The role involves ensuring that group reporting requirements are met; analysing and interpreting results; recommending action to optimise performance; monitoring the implementation of agreed business plans. Success will depend upon building a close, positive relationship with the management teams in operating companies and providing an effective link between them and corporate headquarters. Candidates, who are graduates (preferably in science or engineering) in their late 20's–early 30's, must be qualified accountants with senior level experience of financial analysis and business control in a substantial group. A thorough understanding of manufacturing industry is essential and an appreciation of American accounting practices would be useful. Frequent travel to the USA will be required. Career prospects are excellent.

S.P. Spindler, **Hoggett Bowers plc**, *George V Place, 4 Thames Avenue,*
WINDSOR, *SL4 1QP*, **0753 856851**. *Ref: W11011/FT*

Group Management Accountant

Engineering – Holding Company
Northern Home Counties, To £25,000, Car, Benefits

This is a senior appointment, working in the nerve centre of a well known UK Engineering Group, which has a turnover approaching £150m per annum and further *exciting plans for growth, both organically and through acquisitions.* You will be a member of a small team, working in day to day contact with the Group Financial Director. Ideally aged early thirties and qualified, you will not only be an excellent technical accountant but have first class skills in the interpretation and control of financial data and information which are key to the performance of the business. In addition you must have a high level of knowledge in computer based financial systems, since the group is making rapid strides in this area. On a personal front, you will be an ambitious individual, wishing to progress further, with an outgoing personality and *ability to relate well with others throughout the divisions in the group.*

J.A. Thomas, **Hoggett Bowers plc**, *7 Lisbon Square,*
LEEDS, *LS1 4LZ*, **0532 448661**. *Ref: L13019/FT*

Head of Finance & Administration

Luxury Retail
London, West End, Package c £19,500, Benefits

This major international retailer of top brand name/designer merchandise and high quality giftware requires a qualified accountant to join its European Head Office, which is also responsible for subsidiary interior design and restaurant businesses. The role covers statutory and management accounting, general administration and broad involvement in the day to day running of the business. The development of additional European outlets and possible new acquisitions will lead to increased responsibilities in the near future and the possibility of some European travel. Candidates in preferably the higher end of the 27–45 age range should be able to demonstrate good commercial accounting experience including staff management and computer literacy. The competitive salary/bonus package is enhanced by attractive benefits and the potential to develop the role to a key position in the company.

S.J.A. Nicholson, **Hoggett Bowers plc**, *1/2 Hanover Street,*
LONDON, *W1R 9WB*, **01-734 6852**. *Ref: H18001/FT*

Assistant Treasurer

Retailing Group
Hertfordshire, c £17,000, Car

This is an excellent opportunity to develop your career with one of the largest and most respected groups operating within the highly competitive retail sector. Currently implementing a heavy investment programme the Group has a major retail influence with sales in excess of £2 billion. A new central team is being created to be based to the North of London which will include a reorganised and dynamic treasury section. A candidate of high calibre and potential is required to assist the Group Treasurer. This demanding new position will have responsibility for the day to day management of money market transactions as well as close liaison with trading divisions. Applicants aged 21–40, preferably qualified, possessing good communicative skills, numeracy and resilience should have at least three years' commercial experience in a high pressure environment with exposure to treasury operations.

D. Evans, **Hoggett Bowers plc**, *1/2 Hanover Street,*
LONDON, *W1R 9WB*, **01-734 6852**. *Ref: H19008/FT*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

Qualified Accountants

UP TO £24,000

Our client is the UK operation of a major US based Multi-National, with subsidiaries in Europe, Far East, Africa and Scandinavia. Due to internal promotion, the London Head Office Internal Audit Department is currently seeking two ambitious and enthusiastic accountants, preferably with a good command of an European language.

The Internal Audit Department is traditionally regarded as a route through which career conscious young accountants are able to gain uniquely wide experience and make the transition to senior financial management at home or abroad. The department is well established and enlightened in outlook, professional in operation and highly regarded for the contribution it makes to the success of the company. The work includes *ad hoc* assignments and investigations as well as operational, management and systems audit.

Excellent remuneration and career structured benefits package.

Ref: JR/501

For further details phone or write quoting reference to:

ACCOUNTANCY ASSOCIATES LIMITED
temp./perm. recruitment consultants
5 VIGO STREET LONDON W1X 1AH TEL: 01-439 3387/8/9

FINANCE DIRECTOR

NW1

£30,000 package

Synonymous with quality satellite television systems MEGASAT has consistently doubled its turnover every year since its inception in 1981. MEGASAT as a company is dedicated to quality professionalism and excellence and demands all these of their Finance Director.

Reporting to the Managing Director the successful candidate will assume full responsibility for the finance function including raising capital for new ventures, special assignments and joint venture projects. He will also play a key role in the business development of the company.

Interested applicants qualified and under 35 will be determined and creative self starters with good business acumen coupled with the ability to motivate, lead and inspire confidence.

*Apply in confidence with a written curriculum vitae to **Jon Vonk** or **Michael Herst**, or telephone **01-629 4463** (evenings **01-674 8643**).*

M·E·G·A·S·A·T

HARRISON WILLIS

FINANCIAL RECRUITMENT CONSULTANTS

CARDINAL HOUSE, 39-40 ALBEMARLE ST., LONDON W1X 3FD. TEL: 01-629 4463.

Senior Accountant

to £23,000

North Sea Sun Oil Co Ltd is a principal subsidiary of the Sun Co Inc, currently engaged in oil and gas exploration and production both onshore and offshore in the UK. Further to its inception in 1964, North Sea Sun Oil Ltd now has an interest in 17 blocks, and is operating eight of them.

A carefully considered programme of exploration appraisal and development activity, supplemented by participation in future licensing rounds and selected acquisition is being pursued to ensure continued success.

In line with this expansion a position has arisen within the Company's International Exploration and Production Division for a Senior Accountant. Reporting to the Performance Analysis Manager, and liaising with Geoscience, Project Development and Dallas financial administration personnel respectively, this key position entails responsibility for the preparation of annual budgets, as well as the provision of advice to senior management regarding associated variances.

This appointment involves the review of existing computer applications and reports produced and received by the Group together with participation in the development of new systems and procedures.

Candidates, ideally aged between 25 and 38, should possess a formal accounting qualification (ACA, CACA or ACMA).

Interested applicants should contact Gerald Whiting on 01-831 2000 or write to him, enclosing a comprehensive C.V. at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH quoting reference 2086.

MP

Michael Page Partnership

International Recruitment Consultants

London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

A member of Addison Consultancy Group PLC

FINANCIAL DIRECTOR

CARDIFF — to £25,000 + CAR + BUPA

We are a long-established and highly-successful Road Haulage Company based just north of Cardiff.

We have rapidly expanded over recent years, with t/o reaching £4m and are budgeted for further rapid growth. We have an excellent opportunity for a first-class financial accountant to assist in our development.

The successful applicant will be expected to contribute significantly to business planning and the overall commercial management of the business. The initial emphasis will be on the rapid development of the company's management information system as well as being responsible for the finance and data-processing information. Long-term career prospects are excellent.

Candidates, aged 28-40, should be qualified accountants (CACA, CIMA, ACA) of graduate intellect who can demonstrate successful achievements to date.

Interested applicants should write with full c.v. including daytime telephone number to:

The Managing Director,
Rhys Davies and Sons Limited,
Moy Road Industrial Estate,
Taffs Well,
Nr Cardiff, CF4 7QA

Director of Finance

Herts/Essex border — c£25,000 + car + profit share

Our client is a US subsidiary (T/O £10m) part of a multi-national organisation which manufactures and markets specialist products at the forefront of technology for worldwide use.

This key appointment will appeal to a graduate qualified accountant, aged 30-35, with keen business acumen and proven commercial experience at senior level in a manufacturing environment.

As part of a management team reporting to the Managing Director, he/she will assume overall direction of the Company's financial activities including *the continuous review of pricing proposals and updating of all computerised* systems. In addition there will be responsibility for the development of the strategic business plan for the UK and the investigation of new business opportunities in Europe.

Candidates must demonstrate the personal qualities required to liaise effectively with North American and European colleagues and the technical and professional skills to contribute to the improved profitability of the Company.

Applications under ref RC236 to:—
Miss Marion Williams, The McCann Consultancy,
4 Bouverie Street, London EC4Y 8AB.

Appointments Advertising

£43 per single column centimetre

Premium positions will be charged £52 per single column centimetre

For further information, call:

01-248 8000

Daniel Berry Ext 3456

David Rhodes Ext 4676

Tessa Taylor Ext 3351

Yasuda Europe

FINANCIAL CONTROLLER

City — c. £25,000 + car + benefits

The Yasuda Fire & Marine Insurance Company of Europe Limited is the London based European subsidiary of the Yasuda Group of Companies – one of the leading non-life insurance groups in Japan with operations throughout the world.

The Company is seeking a replacement for the current finance director who will be retiring in 1988.

The candidate will be responsible for the Company's financial functions and will play an essential part in achieving the Company's ambitious future growth plans in Europe.

Candidates, 27 to 40, should be qualified with a broad based accounting knowledge and an interest and aptitude in the development of computerised systems. Experience in a non-tariff insurance company, broker or Lloyd's syndicate would be ideal.

Self confidence, initiative and the ability to communicate and influence decision making is essential. Salary is negotiable at £25,000 with a fully expensed car and other fringe benefits.

Please send brief career and personal details, quoting reference F/067/A, to Carrie Andrews at Ernst & Whinney Management Consultants, Becket House, 1 Lambeth Palace Road, London, SE1 7EU.

Ernst & Whinney

Financial Analyst

International Music Business

Warner — Elektra — Atlantic

WEA International Services Ltd provides financial and administrative services to WEA International Inc. (a U.S.-based company) and its twenty-four affiliated subsidiary companies and numerous licensees. The affiliates and licensees conduct their business in virtually every major country in the world excluding the U.S.

The environment is characterised by the high natural pace of the record industry, the international nature of the activity and a highly developed finance system utilising the best of modern systems and communications technology.

In this role you will be expected to provide a comprehensive financial service to WEA International Services Senior Management. This will focus particularly on areas such as financial reporting, consolidations, budget preparation, forecasting, interpretation of results and a variety of ad hoc analyses and investigations.

The requirement is for a qualified accountant in their late 20's or early 30's with good communication skills and offering a high standard of computer literacy. Experience in a U.S. multi-national environment is desirable.

My client offers a fully competitive range of employment conditions. Location – Central London.

Applicants of either sex should apply in confidence to Michael Johnson on (0962) 53319 (24-hour service) or write to Johnson Wilson & Partners Ltd., Clarendon House, Hyde Street, Winchester, Hampshire SO23 7DX quoting ref. 756.

Johnson Wilson & Partners

Management Recruitment Consultants

Financial Accountant

WEST END — £20,000

Our client is a rapidly growing professional association. Due to a reorganisation in the finance department, a financial accountant is required to lead and direct the accounting team.

Reporting to the Financial Controller, the financial accountant will supervise the department and ensure that systems and procedures are in place in order to produce an accurate nominal ledger monthly from a computer based accounting system. Close liaison with the management accountant and other departments will be needed.

The successful candidate will be an ACA/ACCA with experience in problem solving in a high volume accounts department. This job is not for a wilting flower and forthright determination, good communication skills and a hands-on approach are required.

Career prospects are good. If you believe you are up to this challenge, send a concise CV with salary history to Steve McBride.

ROBSON RHODES

Chartered Accountants

Management Consultancy Division

186. City Road, London, EC1V 2NU.

Finance Director (Designate)

Construction — c£20K + profit share + car

Our client is within the Construction Division of a major successful Group. Companies in the Division represent a wide spectrum of business areas in Construction and Maintenance. They are growing, profitable and have a combined turnover approaching £20m.

Reporting to a Main Board Director of the parent Group, an excellent opportunity exists to work closely in a number of autonomous business areas, which are at different stages of development, and assist the Directors with their business growth plans.

We would therefore like to hear from mature, practical, qualified accountants, probably aged around 30, with grass roots experience of building/civil engineering/subcontracting.

Older candidates will be considered. Of paramount importance are the personal qualities to facilitate rapid switching between different business areas, personalities, and levels of financial input. Career development prospects in the medium term are excellent.

Please write in confidence to Peter Willingham quoting reference LM883 enclosing your CV, current salary package and daytime telephone number, at Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Spicer and Pegler Associates

Executive Selection

GROUP CONTROLLER

Slough — c £40,000 + car + share options

A £75 million turnover group engaged in the marketing and distribution of a range of high technology products seeks a financial executive of exceptional ability to strengthen its management team. This appointment is part of a planned expansion programme which aims to achieve sales in excess of £200 million within two years.

The Controller's initial challenge will be to enhance financial reporting and controls to meet the standards demanded by the group's highly professional and commercial top management team. Thereafter the successful candidate will progressively take on broader responsibilities in preparation for further career development.

Applications are invited from qualified accountants or MBAs, aged mid-30's to circa 40, who possess proven people management skills, a quick mind, a resilient approach and a capacity for hard work. They should combine exposure to tight financial disciplines with experience in a medium sized operating company, ideally in a distributive industry.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref: 2784 to G. J. Perkins, Executive Selection Division.

Touche Ross

The Business Partners

Thavies Inn House, 3/4 Holborn Circus, London EC1N 3HB. Tel: 01-353 7361.

VENTURE CAPITAL

A WAY IN

We are a major financial institution with a small team devoted to investment in unquoted securities. The present portfolio consists of 68 UK investments and 15 US investments. 1986 activity saw realisations from the unquoted portfolio of £28m and investment of over £14m in 29 companies. Due to the expansion we require another individual to join the team.

It will be your responsibility to establish monitoring systems and work closely with the existing members of the team to ensure the continued effective monitoring of investments. It is anticipated that you will be absorbed into the mainstream unquoted investment activity within two or three years.

You are likely to be a recently-qualified ACA, ACMA or ICMA or an individual who wishes a change in direction from your present career path in a financially-related activity.

Please write with full curriculum vitae and salary details to:

Box A0540, Financial Times
10 Cannon Street, London EC4P 4BY

هكذا من الأصل

Chief Accountant

Merchant Bank

City **to £35,000 + car + benefits**

Our client is a major merchant bank with extensive international activities, and an outstanding reputation for offering a wide range of innovative financial services.

A Chief Accountant is needed to manage a young finance team responsible for all aspects of accounting, financial control, and company secretarial matters.

The successful candidate must be a Chartered Accountant, aged 27-35, with recent experience of the finance sector, and a minumum two years experience outside of practice.

This position will represent a significant challenge to the right applicant with excellent career prospects throughout the group's worldwide operations.

Interested applicants should write to Jon Anderson ACMA, Executive Division, enclosing a comprehensive CV and telephone number at 39-41 Parker Street, London WC2B 5LH, quoting reference number 412.

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Group Finance Director for a Public Company

North West **c£40k + car + executive benefits**

Our client, a plc whose annual turnover now exceeds £80m is seeking a Group Finance Director to consolidate and develop its ambitious plans for continued growth. Reporting to the Chief Executive the successful candidate will contribute directly to the business planning process and take specific responsibility for:

- **Reviewing all accounting systems and ensuring the highest level of financial performance throughout the Group.**
- **Co-ordinating Group management information systems and computer strategy.**
- **Ensuring that the statutory financial reporting requirements of a plc are met in full.**
- **Financial evaluation of acquisition prospects and major capital projects.**
- ***Treasury management including the review of alternative and additional sources of finance.***

Applications are invited ideally from qualified Chartered Accountants, aged 30-45, who must be able to display an outstanding track record including broad experience of all the above areas and of operating within a manufacturing environment.

To complement this experience and expertise, highly developed personal skills are also required including:

- **The commitment, and energy to influence and motivate at all levels of the Group.**
- **The determination and capacity to make a major impact on both operational and strategic Group activities.**
- **The acumen necessary to advise and act on the implications of all relevant financial information.**

Applicants should write with full personal and career details (including details of current remuneration package) quoting reference PS/215 to **Paul Bailey, Spicer and Pegler, Chartered Accountants, Derby House, 12 Booth Street, Manchester, M60 2ED.**

Internationally Spicer and Oppenheim

Spicer and Pegler
Personnel Services

Finance Director

W. Yorkshire **c£22,000 + Car + Bonus**

Our client, is an autonomous, *engineering* subsidiary of a highly acquisitive, rapidly expanding, medium sized UK Plc. Their product range has an enviable reputation in the UK and Overseas, which has resulted in the successful penetration of their market sector.

They now seek to recruit a Financial Director who, reporting to the Managing Director, will be totally responsible for the accounting and data processing functions. In addition to the normal financial responsibilities, the individual will be expected to make a significant input into the overall commercial management of the business, as well as closely monitoring their Overseas interests.

Candidates, aged 30-40, will be *qualified* accountants, with a strong track record in manufacturing financial management, utilising sophisticated D.P. systems, together with a high degree of commercial awareness, managerial and communicative ability. Prospects within the Group are excellent.

Relocation facilities are available where appropriate. Interested applicants should write to Stephen J. Broadhurst, quoting ref: L8336, at Michael Page Partnership, Leigh House, 28-32 St. Paul's Street, Leeds LS1 2PX. (Tel: 0532 450212).

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Finance Director

Bristol **c£24,000 + Car + Bens + Relocation** **Age 28-35**

Our client is a fast growing autonomous division of a major plc; a market leader in the FMCG sector. This marketing orientated firm operates on an international basis with a prestigious name.

They seek a graduate qualified accountant to join their dynamic managment team and assume total control of their finance function.

This role requires a strong accountant with the ability to maintain tight control over a very streamlined finance department, combined with the commerical acumen to deal with *all legal*, administrative and company secretarial activities.

Experience of corporate reporting to strict timetables utilising computerised systems is essential, as well as the ability to immerse oneself in the commerical activities of the company at home and abroad.

You will be joining a young and very successful management board, in one of the key roles, hence the ability to work in a team is essential.

If you are interested in this rare opportunity then write, enclosing a comprehensive CV to Paul MacIldowie ACA at the *Executive Division*, 29 St. Augustine's Parade, Bristol BS1 4UL.

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Management Auditor

Key role in major charity

£20,699-£22,414

Barnardo's is a Charity providing services to young people and families with special needs and to do this we raise funds from the *public* and government sources and maintain a range of support services including financial accounting, property management and publicity. We are committed to achieving effectiveness and value for money in all these *operations*.

There are two main aspects to this appointment. One is to assist Directors in the constant appraisal of the use of all resources to ensure maximum benefits including the use of management services techniques. The other is to monitor internal audit control systems to ensure that assets are adequately protected, income properly accounted for, and that payments are properly authorised.

The vacancy arises from the death of the previous occupant, who had held the post since its inception in 1974. The role is therefore well established. However, there will, no doubt, be benefits to be gained from the fresh and different approach of the new leader, who will also be able to contribute to our forthcoming review of our computer systems. This could lead to us setting up our own data processing facility.

The post reports to the Senior Director and is based at our headquarters. It calls for a candidate of degree level or equivalent, with training and/or qualifications in either computer studies, management or business studies, accountancy or administration with wide ranging experience in accounting audit, computing and management services.

Barnardo's is a Christian Child Care organisation and offers a comprehensive package of conditions of service including relocation expenses and transferable pension. Applications for posts are welcomed from persons irrespective of disability, marital status, sex or race.

Further details and application form are available from Mr V H Givan, Personnel Manager, Dr Barnardo's, Tanners Lane, Barkingside, Ilford, Essex Tel: 01-550-8822.

Closing date 15th June 1987

This is a re-advertisement, previous applicants need not apply.

Barnardo's

Appointments Wanted

CLASS CONSCIOUS!
Senior Executive in late 30's with first class financial and general management abilities, seeks suitable position with company requiring development and leadership. Package includes international and fund raising experience, plus FCA, BA, and a sense of humour.
Write Box A0535, Financial Times, 10 Cannon Street, London EC4P 4BY

APPOINTMENTS ADVERTISING
£43 per single column centimetre
Premium positions will be charged £52 per single column centimetre
For further information, call: Daniel Berry 248 4782

FINANCIAL & ACCOUNTING OPPORTUNITIES

CAPITAL MARKETS

A major investment banking company with a global trading presence is seeking several Managers and Senior Staff Accountants for their trading control function. Significant and continued expansion has created many opportunities at all levels in the trading and capital markets areas.

THESE POSITIONS REPRESENT REALISTIC PROMOTIONAL OPPORTUNITIES WITHIN THE FINANCIAL, PRODUCT MARKETING AND TRADING FUNCTIONS.

MANAGERS
Base salary-£35,000-£38,000 plus car, plus bonus, plus generous range of benefits.

Selected candidates should possess a University degree, be Chartered Accountants with approximately 7 years of "Big 8" accounting experience plus, ideally, 1-2 years experience in a financial services organization. Knowledge of industry products highly desirable. Computer literacy required.

SENIOR ACCOUNTANTS
Base salary-£25,000-£28,000 plus car, plus bonus, plus generous range of benefits.

Selected candidates should possess a University degree, be Chartered Accountants with 5 years of "Big 8" accounting experience preferably with a financial services sector background. Computer literacy required.

Please send a full CV including current salary to:
Box A0536 Financial Times, 10 Cannon Street, London EC4P 4BY

TORONTO DOMINION BANK

INTERNAL AUDIT MANAGER

The Toronto-Dominion Bank is one of Canada's major international banks with a substantial London presence established over the past 75 years.

We have an attractive opportunity within our London operations for a well qualified financial officer. The successful candidate will be based in London and will work under the direction of the Bank's Inspection Division located in our corporate headquarters. Leading a small internal audit group, the individual will have a key accountability of planning and executing a comprehensive and ongoing internal audit process.

The successful candidate will be a highly motivated individual with a professional accounting designation, coupled with a minimum two years' related experience. Audit experience within a banking environment including the related treasury and capital market areas are desirable assets for this important role.

This assignment offers considerable challenge, scope, and an excellent opportunity for career advancement in other key financial areas of our organisation, including corporate finance, treasury and capital markets. We offer a fully competitive salary and comprehensive range of employee benefits.

Please forward your C.V. in complete confidence to:-
Mr. J. W. Green, Manager, Human Resources,
The Toronto-Dominion Bank,
14/18 Finsbury Square, London EC2A 1DB.

TD

Finance Director

WILLIAMS HOLDINGS PLC VEHICLE DIVISION

Derby **Attractive Salary & Prestige Car**

Williams Holdings have achieved a rapid, profitable growth in sales from £5 million to £300 million in five years. It is their intention to increase this pace in the coming years by further organic growth *and acquisition*. The £50 million Vehicle Division is a key part of this future, and requires the stewardship of an outstanding Finance Director, guiding the business and supporting the Managing Director.

You will be an energetic, qualified accountant, with substantial experience of leasing, hire purchase and contract hire. You must have the vision and vigour to contribute to the strategic decision making of the business. Your career will have progressed in a dynamic culture, where you have demonstrated the ability to react to opportunity in both organic development and the acquisition of new business.

Apart from an attractive salary, prestige company car and large company benefits, you will have the rare opportunity of entering a business on the threshold of substantial growth, providing ample scope for personal development and reward.

If you are able to meet these exacting criteria please write with details of your career to date to: John Cornish (Ref AR3008), March Consulting Group, March House, 13 Park Street, Windsor, SL4 1LU.

MARCH
CONSULTING GROUP

ACCEPT THE CHALLENGE

Baltic PLC has a record of dynamic expansion achieving an annual growth rate of 30% over the past five years. Market capitalisation is in excess of £70 million. We are continuing to expand our business activities through asset finance/contract hire; property investment, development and finance; corporate finance particularly BES and acquisitions. Consequently we are seeking ambitious, self-motivated decision-makers with the creative ability to contribute and develop ideas and manage them to a successful conclusion.

If you can demonstrate an understanding of the legal and financial implications of our business and can show a record of success through your own creative and management skill then there is a real career opportunity with Baltic. A generous remuneration package is available.

Write in full confidentiality, with a comprehensive c.v., to:
The Managing Director
BALTIC PLC
25/26 Albemarle Street, London W1X 4AD

ACCOUNTANTS £15-18K + BONUS

CITY

To assist with their continued programme of vigorous growth, a leading U.S. Investment Bank has retained us to recruit accountants for a variety of key roles. These are all new appointments in an entrepreneurial company whose dynamic growth and innovative attitude constantly creates opportunities for progression.

Fixed Income: Responsibilities include the production of management accounts and maintenance of position control for fixed income products in several currencies.

Equities: Assisting with the preparation of management information arising from a sophisticated global equity system.

Futures: Maintaining control of positions and monitoring of various trade related costs and brokerage.

Experience from a similar background would be ideal, but strength of character and the determination to succeed are essential in a task orientated environment where results are the priority.

To apply please contact David Goodrich
Telephone 01-588 7287

JOSLIN ROWE ASSOCIATES
Bell Court House, 11 Blomfield Street, London EC2M 7AY
BANKING RECRUITMENT CONSULTANTS

Financial Controller

WESTERN HOME COUNTIES

c£30,000 + car + excellent benefits

With UK sales growth averaging 25% annually for the last 10 years, *this blue chip US multinational has a reputation* for innovation. 1987 sees the launch of a major new venture. Our client is investing heavily to create a team to develop and market advanced Information Technology for selected market sectors. The product is expected to rapidly become a market leader.

To help achieve these aims the management team requires a practical Finance Executive with innovative flair. Your role will involve building and developing a finance team; implementing financial procedures and systems; working closely with other management team members in devising strategic and business plans; and advising on the financial aspects of key decisions.

Applicants, probably aged over 28 years, will be qualified accountants with broad commercial experience, preferably at a senior level within a multinational environment. Experience within the financial services sector would also be of interest. The high level of commitment required will be rewarded with outstanding career prospects.

The substantial benefits package includes an attractive car package, pension scheme, private health care and full relocation expenses where appropriate.

For further information please forward full career details to Sue Rossiter or telephone her directly. (Outside office hours 0734 483732). All applications will, of course, be handled with total confidentiality.

the fleet partnership

Financial Recruitment Consultants, 40/43 Fleet Street, London EC4Y 1BT. 01-583 6613

INTERNATIONAL TREASURER

to £38,000 + CAR + BONUS

Prime Computer is a successful, fast growing company with world beating state-of-the-art products in the mini computer industry, and we operate on a worldwide basis.

We are looking for an experienced International Treasurer to locate and manage this function from the U.K. where we can have access to major financial institutions.

We intend to consolidate our International Treasury function under local management in London.

As the International Treasurer you will be responsible for our total FX operations through our investment and finance subsidiaries, and International Distribution Centre. You will also manage the necessary banking relationships, develop hedging policies and work with the International Subsidiaries throughout the world to enhance cash management. The management of our investment portfolio is an integral part of this function. You will be supported by dedicated professional staff and work through the local EHQ and UK-subsidiary finance operations, who will provide administrative assistance and local management. You will report directly to the USA as part of the corporate treasury organization.

Experience of international treasury is a pre-requisite for applicants. We will also require the communication skills necessary to work with international management in a matrix structure.

This is a senior corporate appointment and will carry an appropriate package. Salary will be between £33k-£38k and coupled with a generous bonus, company car and other executive benefits.

For more details write with a full C.V. to Andrew Turner, Human Resources Director, Prime Computer Europe/Middle East/Africa, The Hounslow Centre, 1 Lampton Rd., Hounslow, Middlesex. Please quote reference REG on envelope.

Prime.

CHIEF ACCOUNTANT

TO £20,000 + Car

Orient-Express Hotels, associated with the highly successful Sea Containers Group, are seeking an ambitious, self motivated Qualified Accountant to take responsibility for our train, retail and travel activities.

This will include dealing with all the financial aspects of the Venice Simplon-Orient-Express, the range of Orient-Express products and the company in-house travel agency. Also involved is the supervision of staff, developing accounting systems, preparing regular accounts, cash forecasting and financial advice to the management.

Responsible to the Deputy Financial Controller the successful candidate will have at least 3 years' post-qualification experience, some of which should have been gained outside the profession. Any background of working for US companies would also be an advantage.

For further details please contact Miss A.D. Clarke
Deputy Personnal Manager
Orient-Express Hotels Inc.
Sea Containers House
20 Upper Ground
London SE1 9PF

orient-express hotels

CHIEF ACCOUNTANT

Central London

Salary Negotiable up to £30,000 — Age not more than 40

We are acting for a well-known international group engaged in dealing in petroleum products. A reorganisation has involved an expansion of the UK operations and created a requirement for this senior financial position.

The Chief Accountant will report directly to the UK managing director and be responsible for all the financial and management accounting functions and the selection and installation of a computerised accounting system. This is a key new appointment to assist the group in its future expansion plans.

The position is open to qualified accountants with not less than five years post qualification experience in an international trading business or other appropriate situation.

Applications in writing with full CV and salary details to:

EDWARDS SARIKHANI AND CO,
Chartered Accountants
Sceptre House, 169-173 Regent Street,
London W1R 7FB. Tel 734 4104

Corporate Strategy

Newly/Recently Qualified Accountant

Package £22,000 + Car

Within the Corporate Planning Team of this major British Retail Plc your responsibilities will include assisting with development of medium term strategy, acquisitions & profitability analysis. Presentation of a monthly commercial summary to the Executive Board will ensure high exposure at an early stage in your career.

Based in Central London, promotion is envisaged within 18 months to a Divisional Controllership. Candidates aged 24-28, ACA, CIMA or ACCA, will currently be employed either in Professional Practice or Commerce/Industry.

Please contact JANE EASTON on 01-404 3155 at
ALDERWICK PEACHELL and PARTNERS
125 High Holborn London WC1V 6QA (Rec Cons)

Alderwick and Peachell PARTNERS LTD

FINANCIAL DIRECTOR

CAMBRIDGESHIRE/ADJACENT A1 — **NEGOTIABLE TO £35K + CAR + SHARE OPTION IDC**

Our client, a **well-backed 'start-up' 2 years ago,** has now successfuly reached the **next important stage of its development,** and is poised for an **exciting period of expansion.**

Now sought to join a small management team is (ideally) a degree level **'industrialised CA'**, aged 30-40, whose experience to date **must include:**

* **'Top level' financial control and management**
* **'Shopfloor' management accounting**
* **Manufactured capital goods environment**
* **Integrated DP monitoring and reporting systems**

For an appointee who can additionally bring personal qualities of **drive, resilience and flexibility** to a small but rapidly growing company environment, a commitment to **full financial and managerial involvement** is promised.

Candidates, male and female, please write to David T Bentley, Manager, Human Resources Division, 3i Consultants Ltd, 8 High Street, Windsor, Berks SL4 1LD, or telephone Windsor (0753) 867175 (24 hour service) for further details and an application form, quoting ref DB/666.

3i Consultants Ltd
Human Resources Division

Beazer

Bath — Negotiable Salary

ASSISTANT TREASURER

C H Beazer (Holdings) PLC is one of the leading U.K.-based general construction companies with international interests in house building, property, contracting and building materials.

We are seeking an Assistant Treasurer to join our Group Treasury. Reporting to the Group Treasurer, responsibilities will include dealing on the financial markets and will involve cash, foreign exchange and short-term funding management. They will also include the operation and development of monitoring and reporting systems.

The successful candidate will be in his/her late 20s/early 30s, with a professional qualification and at least two years' experience in a corporate treasury department, banking or accountancy. A proven ability to act on one's own initiative is an essential requirement.

An attractive remuneration package is offered, together with relocation assistance where appropriate.

Applicants should write with a full c.v. to The Group Treasurer, C H Beazer (Holdings) PLC, 2 Midland Bridge Road, Bath BA2 3EY.

EUROPEAN AUDITOR CITY

£Neg + Financial Services Benefits

Our client, one of the largest insurance organisations in the world, writes all major lines of direct, reinsurance, life and marine business, and is represented in over 100 countries worldwide.

An opportunity now exists for a qualified accountant, with insurance industry experience, to set up the internal audit function for Europe. Based in its London Headquarters the job holder will report directly to the Vice-President, Internal Audit, at the Corporate Home Office in New York.

Candidates, preferably Chartered Accountants, should be aged 25-35, have good auditing experience in the insurance industry and preferably have experience of computerised systems. Travel both within Europe and to the USA can be expected. This will be a first class opportunity to take up a challenging role with real potential for long term advancement. Salary will be commensurate with experience and an attractive benefit package is also offered.

**For further details contact David Frusher on 01-353 1244, or write enclosing a comprehensive Curriculum Vitae to
ASA International, Ludgate House,
107-111, Fleet Street, London, EC4A 2AB.**

ASA International

c£22,000 p.a.

Assistant Financial Controller

The City

FINANCIAL SERVICES

A recently qualified Chartered Accountant, male or female, is required to assist the Group Financial Director of this rapidly expanding PLC. The Group provides a range of corporate finance, banking and consulting services through a number of subsidiary companies. The Company is pursuing a policy of growth by acquisition. An outstanding career opportunity in a financial services enviroment. Fringe benefits include contributory pension, and medical/life cover. Suitably qualified candidates please phone 01-600 4709 for an application form quoting GF709 (24 hour service).

GREYFRIARS EXECUTIVE RECRUITMENT

JOHN W G FORBES MANAGING DIRECTOR
104 NEWGATE STREET, LONDON EC1

HEAD OF CONTROLLING/ REPORTING

c.£22,000

Based in Central London, our client, a major international magazine publishing house is currently seeking a bright, positive individual for this key position.

Reporting to the Managing Director, responsibilities will include.

- preparation of monthly management reports
- budgeting and forecasting
- ad hoc internal audits and analysis
- preparation of long term plans for new projects

Candidates must be qualified accountants, aged 28-35; with at least 5 years' management accounting experience, to include monthly reporting, budgets, forecasting and 'hands-on' PC experience.

A working knowledge of French and/or German would also be an advantage.

The position offers scope for significant career development with this progressive and expanding Company.

Interested candidates should contact Fiona Davidson at Robert Half Personnel, Roman House, Wood Street, London EC2Y 5BA. Telephone 01-638 5191, evenings 01-226 9700.

ROBERT HALF

PARTNERSHIP ACCOUNTANT SECRETARY

Central London

Age: 35-45 — To: £30,000 plus car

Our client is a major firm of Chartered Quantity Surveyors with offices throughout this country as well as interests overseas.

An excellent opportunity has arisen for a mature, qualified accountant to take full responsibility for all financial and administrative aspects of the practice. This senior position requires good inter-personal skills and a keen commercial awareness. The opportunity to make a significant contribution to the Practice's anticipated expansion offers excellent pospects to the right candidate.

administrative aspects of the Practice. This senior position

Please send full curriculum vitae with handwritten covering letter to B. E. Ayres, Ref. H229.

MOORES & ROWLAND

50 St. Andrew Street
Hertford SG14 1JA
Tel: Hertford (0992) 59321
Telex: 818742 MARCA

MOORES & ROWLAND MANAGEMENT ADVISORY SERVICES LIMITED

RECRUITMENT and PERSONNEL SERVICES

The Financial Times proposes to publish a Survey on Recruitment and Personnel Services on

July 1 1987

Among the subjects to be reviewed will be:—

RECRUITMENT CONSULTANCIES
OUTPLACEMENT CONSULTANCIES
REMUNERATION PACKAGES
TESTING METHODS

For more information about advertising in this Survey and a copy of the synopsis, contact:

Louise Hunter
on 01-248 8000 ext 3588
or
01-248 4864

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER
LONDON · FRANKFURT · NEW YORK

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday May 21 1987

CANADIAN-OWNED GROUP SUFFERS FIRST FALL

Int'l Thomson in loss

BY BERNARD SIMON IN TORONTO

INTERNATIONAL THOMSON Organisation, the Canadian-owned publishing, travel and energy group, suffered its first loss ever in the three months ended March 30.

The net loss attributable to common shareholders was US$3m, or 1 cent a share, compared to earnings of US$19m, or 6.5 cents, a year earlier. Income before preferred dividend payments was US$2m. Sales rose from US$508m to US$585m.

Earlier this year ITO switched from reporting in sterling to US dollars, reflecting the growth of its North American publishing business. Figures for 1986 have been converted at an exchange rate of US$1.48 to £1.

The loss was caused mainly by seasonal factors, such as disproportionately high overheads allocated during the slack winter months to the travel business. Oil prices and volumes declined.

The gradual drop in the contribution of ITO's North Sea oil and gas interests has made the company more sensitive to the seasonal nature of the travel and publishing businesses. ITO yesterday said a higher proportion of income would be earned in the second half of the year.

Despite seasonal losses, publishing made a "strong start" to 1987, with improvements centred on British regional newspapers, and US book publishing and business magazines.

In the travel division, Thomson Travel's winter volumes were up 48 per cent. Summer sales are 20 per cent ahead of last year.

Belgian retailer has good year

BY TIM DICKSON IN BRUSSELS

GB-INNO-BM, Belgium's largest retailing business, has announced a 22.4 per cent increase in its consolidated net profit to BFr 1.514bn ($40.6m) in the year ending January 31. But consolidated earnings per share rose only 14.5 per cent to BFr 48.84, largely due to the substantial share and bond issue last October which increased the size of the company's equity.

Consolidated sales (which do not include foreign companies in which GB has less than a 50 per cent stake) *rose marginally from* BFr 124.9bn to BFr 129.8bn over the same period.

With roughly 8 per cent of total Belgian domestic sales, GB-Inno was one of the first in Europe to move into mass retailing from its initial department store base. It has a wide range of leisure and services activities, notably do-it-yourself stores and fast food restaurants which it has identified as areas of potentially strong growth. It has a *significant interest in the US DIY* business through stakes in Scotty's and Handy Andy.

The company is now beginning to *reap the benefit of capital spending,* diversification and closures carried out in the last few years and is hoping to maintain the present rate of growth. Its forthcoming annual report is likely to establish a target of doubled profits over the next five years.

Last year, most of the improvement came from the Belgian operations – despite poor consumer spending trends – though in future the foreign companies are expected *to make more of a contribution* as the need lessens to plough back earnings.

Cash flow last year increased by *10 per cent to BFr 5.2bn and* the proposed dividend on the ordinary shares is BFr 22.5 (BFr 21.5).

Norway group's creditors fear write-off

BY KAREN FOSSLI IN OSLO

THIRTY-THREE foreign banks which provided loans totalling about NKr 1.6bn ($239m) to Kongsberg Vaapenfabrikk (KV), the financially troubled state-owned Norwegian industrial group, fear the Government may ask them to write *off more than 50 per cent of their* outstanding loans to the company.

Ministry of Industry officials are deadlocked over how to rescue the company and make good its loans. Three options are being studied, including total refinancing, bankruptcy or an "accord option" requiring more than 60 per cent of the creditors to agree to accept a loss.

The Government is expected to reach a decision by the end of this week, *but it faces a* problem with KV's jet engine division, its biggest lossmaker.

The Government needs to secure a deal to determine the amount it can expect to recover before deciding KV's future, and what loan repayments the banks can expect.

Negotiations to buy the jet engine division are taking place with the holding company for the domestic *airline Braathens Safe, Helikopter* Services and Aker Norcem, and with the French company SNECMA to take up to 70 per cent of the company.

Allis receives new offer for units

By Our Financial Staff

ALLIS-CHALMERS, the struggling US process equipment group, has received a proposal to buy its solids process equipment, Stephens-Adamson, industrial pump power generation systems *businesses for a total price of* $150m.

The company had previously announced that it had entered into a letter of intent with Boliden of Sweden under which the base metals mining group would buy its solids process equipments business for about $90m.

Allis-Chalmers said it also has received a number of other proposals related to its industrial pump business and is in the process of soliciting proposals for its Stephens-Adamson and power generation businesses.

Allis-Chalmers said the latest proposal, from CA Ltd., appeared to be subject to obtaining financing and to certain other conditions, including entering into a definitive contract.

The company said completion of the recently proposed disposition of these and other businesses was subject, among other things, to successful completion of a restructuring to deal with debt and pension obligations.

Koc Group's earnings rise

By David Barchard in Ankara

THE KOC Group, Turkey's largest industrial group, made net profits of $124m in 1986 against $93m in 1985, on turnover of $3.2bn.

KOC, whose empire stretches from the motor industry, consumer goods, durables and white goods to textiles and banking, still remains strongly tied to the home market.

AIRLINE REMAINS IN THE BLACK DESPITE SETBACK

Lufthansa hit by dollar

BY DAVID MARSH IN FRANKFURT

LUFTHANSA, the West German state-controlled airline, boosted net *profit slightly last* year *to DM* 64.4m ($21.5m) from DM 63m in 1985. Although it turned in a DM 66.6m operating loss as a result of the sharp fall of the dollar.

Presenting a mixed picture of significant traffic growth disturbed by international political crises and erratic currency fluctuations, Mr *Heinz Ruhnau, the chairman,* yesterday, gave a cautious forecast about this year's results. Lufthansa would, however, remain in the *black, and planned to boost the* number of passengers carried to more than 17m from 16.61m in 1986, he said.

The airline is paying an unchanged DM 3.50 dividend on its 1986 results, with DM 1.4m added to reserves. Group profits last year, *including Lufthansa's Condor charter* subsidiary and other companies, rose to DM 70.6 from DM 66.4m.

It is raising its basic capital by DM 300m to DM 1.2bn through issuing ordinary shares. This will amount to "a piece of privatisation," said Mr Günther Becher, board member in charge of finance. The *voting capital share held by the gov*ernment and other public authorities will fall from 91.2 per cent to 76.7 per cent after the transaction.

As a sign of an improving basic trend, Lufthansa's loss in the first four months of the year – when it traditionally works at a deficit before the summer traffic pick-up – was reduced by DM 33m compared with the same period in the previous year to DM 182.

Lufthansa's operating loss in 1986 resulted above all from the rise of the D-Mark against the dollar and other currencies, which hit the D-Mark *value of sales outside* Germany – amounting to 50 per cent of its business.

The figure compared with an operating profit of DM 152m in 1985.

Lufthansa managed to stay in the black *overall last* year only through DM 131m in profits from non-operational areas, compared with a deficit of DM 6.1m in this sector in 1985. The profits here last year were made up above all of earnings channelled to the parent company from Lufthansa's chartering subsidiary.

Helaba operating profits decline

BY HAIG SIMONIAN IN FRANKFURT

HESSISCHE LANDESBANK (Helaba), West Germany's fourth-largest publicly owned bank, has reported a 12.6 per cent fall in operating profits for 1986 to DM 243m ($137m) against DM 278m in 1985.

However, the outcome, which was attributable to a slight drop in *overall* profitability and a sharp rise on costs, remained "satisfactory" and was in line with expectations, said Mr Herbert Kazmierzak, Helaba *chief executive.* The bank is paying a renewed 5 per cent dividend.

Helaba's total group assets increased marginally to DM 70.5bn against DM 68.7bn in 1985. Interest income fell by 2.1 per cent to DM 556m from DM 568m in 1985.

The bank failed to benefit markedly from the sharp increase in commission earnings reported by many of its competitors, with profits for fee-related activities rising to only DM 70m from DM 65m in 1985.

Credit volume at Helaba rose by *2.5 per cent to DM 52.8bn in 1986,* with long-term credits accounting for the rise.

The outlook for 1987 is "cautiously optimistic," said Mr Kazmierzak, although the bank is expecting a further fall in profits this year.

● Deutsche Girozentrale – Deutsche Kommunalbank (DGZ-Bank), the West German bank owned by members of the country's savings bank movement, increased its operating profits by 12.2 per cent to DM 171m in 1986.

Interest income rose by 6.7 per *cent to DM 224m while commission* earnings climbed sharply to DM 16m after DM 10m in 1985.

Navistar income increases sharply

BY JAMES BUCHMAN IN NEW YORK

NAVISTAR International, the US maker of trucks and diesel engines which has come back from the brink of bankruptcy, has registered net income of $47.1m in the second quarter to April, a sharp increase from the $19m in the 1986 second *quarter.*

The company, which changed its name from International Harvester after a drastic restructuring, also reported an *improvement in sales* revenues from $800m to $931.3m and a strengthening in its balance sheet.

Navistar's stock price, which has been relatively strong this month, closed down $⅛ at 57⅞.

Earnings in the latest quarter were flattered by a $21.9m tax loss. Navistar continues to enjoy tax losses capable of sheltering around $1.3bn in profits

Surprise bid for Crazy Eddie

By James Buchan in New York

CRAZY EDDIE, the pioneer New York consumer electronics retailer, yesterday said it had received an unsolicited $219m offer from its chairman, the eponymous Mr Eddie Antar.

News of the $7 a share offer took the market by surprise and Crazy Eddie's stock jumped $2¼ to $7½.

The offer, which Mr Antar is making with First City Capital Corp, was all the more startling in the light of Mr Antar's sudden resignation last January amid *rumours* that he was seriously ill.

Mr Antar, regarded as a gifted if eccentric businessman, in 18 years built the company from a single *store in Brooklyn to a chain known* nationally for its frenetic television advertisements claiming "insane" low prices.

The rumours about Mr Antar's health hammered Crazy Eddie's stock, which traded over $20 last year and was a highly successful new issue in 1984. "It was never confirmed," said Mr Edwin Underwood, an analysts at Scott & Stringfellow, the Richmond, Virginia brokerage house.

He said Mr Sam Antar, now joint president of the company, had confirmed that his cousin was ill but that this was not expected to affect his "long-term association with the company."

Since then, Crazy Eddie has seen its sales from existing stores fall drastically for three consecutive months amid intense price competition in New York.

Earnings fell to only 2 cents a share in the March quarter (against 26 cents) and the company fell prey to takeover speculation.

There were rumours that Dixons, the UK retailer *specialising in discount consumer electricals,* had considered Crazy Eddie before its purchase of Cyclops, and its Silo chain, in March.

INTERNATIONAL COMPANIES and FINANCE

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE MAY 15, 1987

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	9.483	+1.195	9.619	8.440
Australian Dollar	14.089	−0.907	14.735	12.835
Canadian Dollar	10.489	+1.805	10.819	9.372
Euroguilder	6.153	−0.758	6.250	5.804
Euro Currency Unit	8.465	0.012	9.041	8.173
Yen	5.616	−0.071	6.702	5.218
Sterling	9.444	−0.798	11.609	9.443
Deutschemark	5.912	−0.705	6.652	5.912

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Kredietbank earnings up 18.4% to BFr 3.2bn

By William Dawkins in Brussels

A STRONG rise in interest income from a buoyant private sector lay behind an 18.4 per cent rise in net annual profits announced yesterday by Kredietbank, Belgium's third largest commercial bank.

Net earnings reached BFr 3.18bn ($86m) in the year to last March, up from BFr 2.68bn in 1985-86. As a result, the bank is increasing the dividend for the fourth year running, so that ordinary shareholders will receive a 5.7 per cent increase in the net distribution to BFr 115 per share.

Despite the dollar's fall, the balance sheet total ended the year up by 9.3 per cent to BFr 997.1bn. Performance was helped by a 10 per cent increase in all interest profit, reflecting a lively demand for credit from both private, corporate and individual borrowers.

Lending to the private sector rose by nearly 12 per cent to BFr 290.1bn, reversing the slight decline of the previous year. Lending to the normally credit-hungry public sector rose more slowly than in the past, by 2.7 per cent to BFr 286.6bn.

Customers' deposits also surged ahead strongly during the 12 months, by BFr 44.9bn to BFr 494.5bn. Other factors in the profits growth were a smaller rise in operating costs than in the preceding period and a decline in bad debt provisions.

Stefanel profits rise to L27bn

By Our Milan Correspondent

STEFANEL, the Italian casual clothes producer which is a smaller-scale version of the Benetton success story, more than doubled its 1986 net profit, to L27.5bn ($21.2m). At consolidated group level the result was marginally higher.

The company, which with 1986 consolidated group revenues of L172.2bn ($132.9m) is about one sixth the size of Benetton, is owned by the Stefanel family and founded in 1959.

Stefanel is planning to float about 25 per cent of its shares on the Milan bourse during the next few months.

Daimler focuses spending on cars

BY ANDREW FISHER IN STUTTGART

DAIMLER-BENZ, the West German vehicle group which has diversified into electronics, aerospace and engines, plans to invest up to DM 24bn ($13.5bn) over the next five years, most of it in the car sector.

Mr Werner Breitschwerdt, the chairman, said most of the spending on cars would be aimed at further increases in quality through improved technology and equipment.

Only a small part of this, DM 16bn, would go on capacity increases. He said it would cost at least DM 1bn to develop a Mercedes car generation and twice as much again to build the models.

About DM 4bn of the DM 24bn will be shared between its new subsidiaries, AEG (electronics), Motoren- und Turbinen Union in engines, and Dornier (aerospace), with DM 3bn going on foreign lorry plants.

Last year, group capital spending rose from DM 4bn to DM 5.4bn, with the inclusion of AEG for the first time. A further slight rise is planned for 1987.

Daimler, which raised group net income in 1986 from DM 1.68bn to DM 1.77bn and earnings per share from DM 67.75 to DM 78.80, is paying a DM 12 dividend, the same as for 1985—though without that year's DM 2.50 centenary bonus. It did not say how much of its 1986 profit came from cars and how much from other activities.

Mr Breitschwerdt said the outlook for 1987 was satisfactory. However, he said the world economic situation had worsened, adding a strong warning about the danger of increased protectionism.

Group turnover in the first quarter was about DM 300m higher at DM 15bn, with a 6 per cent rise to DM 10bn at the parent vehicle concern. The parent growth rate had shaded to 2 per cent over the first four months through industrial action ahead of the recent wages and hours settlement.

"Even if the economic background is not as favourable as last year and exports are affected by the burden of the strong D-Mark, we shall be able to continue the growth course achieved in past years," Mr Breitschwerdt said.

Acquisitions would give the group extra technological strength, which should enable it to develop growth potential, he commented. Cars would increasingly become part of advanced, computerised transport systems. New cars would be systems-orientated, a main area of future group co-operation being the development of integrated transport systems.

Last year, Daimler raised car output by nearly 10 per cent to 594,000 units, with sales split roughly half each between domestic and export markets. This year, a further rise to just over 600,000 cars is planned. Production in the commercial vehicle sector, beset by world over-capacity and low prices, was 6 per cent higher at 226,340 units.

Asked whether Daimler might take a stake in the European Airbus consortium, he said it was looking at the possibilities. Dornier, its subsidiary, builds parts for Airbuses.

Mr Edzard Reuter, the finance director who was recently made deputy-chairman to strengthen the leadership of the enlarged group, said its cash resources now totalled nearly DM 15bn, but there were no concrete plans to spend this.

Group cash flow last year rose from DM 5.7bn to DM 7.1bn, he said. Thus Daimler was able to finance its investments entirely from its own resources.

Noting the effect of the D-mark's strength on revenues, Mr Reuter said the company had managed to offset some of this through price rises and currency hedging. Otherwise, the dollar's fall would have cost Mercedes-Benz of North America an extra $800m.

Volvo first-quarter income drops by 18%

BY SARA WEBB IN GOTHENBURG

VOLVO, the Swedish motor, energy and food group, suffered lower profits in the first quarter, hit by the weaker dollar and higher product development costs.

Profits (after financial items) fell 18 per cent to SKr 2bn ($321m), compared with SKr 2.45bn a year ago.

No full-year forecast was given and Volvo would not say whether profits were expected to show the familiar pattern of tailing off in the third and fourth quarters. Profits (after financial items) amounted to SKr 7.5bn in 1986.

Group sales increased by 5 per cent to SKr 21.6bn, against SKr 20.66bn in the first quarter of 1986. Lower exchange rates for the US dollar reduced the value of first-quarter sales by about SKr 1.2bn with just less than half of this due to oil trading.

Mr Pehr Gyllenhammar, Volvo chairman and group chief executive, said: "Volvo can continue to earn money at today's kronor-dollar exchange rate and I think we have a good chance of continuing to make money even with the dollar under pressure."

The US is Volvo's most important market, where it now has just over 1 per cent of the passenger car market.

Group operating income was 22 per cent lower than last year at SKr 1.66bn.

Car sales slipped 1 per cent to SKr 9.30bn, but demand increased in Western Europe and Japan. Demand in North America declined but showed signs of recovering towards the end of the period. Volvo delivered 113,000 cars during the first three months compared with 108,000 in the corresponding period last year.

Mr Gyllenhammar said that even excluding the car division, the group could have made a profit of SKr 2.3bn.

Volvo's food division showed a 98 per cent increase in sales to SKr 2.43bn, chiefly due to the acquisition of Cardo, the investment company, which owned several food companies including Swedish Sugar. These results were consolidated in April, 1986.

Volvo's trading division suffered a 14 per cent fall in sales due to lower oil prices and the weak dollar.

Truck sales increased by 5 per cent to SKr 3.77bn and demand in Western Europe and the US was strong.

Volvo said that orders for buses and bus chassis showed an increase and that the total market for heavy buses recovered slightly. Sales totalled SKr 37m.

Winterthur up 21% after underwriting improvement

BY JOHN WICKS IN ZURICH

THE Winterthur, insurance group last year made consolidated net profits of a record SFr 172.2m ($118m) after tax. This figure, 21.7 per cent up on 1985, came from a slight overall improvement in underwriting results and very good investment incomes.

Winterthur Swiss Insurance, the parent company, whose net profits rose 12.5 per cent to SFr 105.1m, is to propose raising dividends on increased capital to SFr 60—from SFr 57 in 1985—per share and SFr 12 per participation certificate.

Shareholders will also be asked to create approved participation — certificate capital of up to 500,000 certificates of SFr 20 nominal value. Together with the remainder of a similar approval granted in 1985, the Winterthur board would be able to issue up to a total of 740,000 of these non-voting shares at its discretion.

Total premium income of the entire group rose in local currency terms by 8.4 per cent in 1986. In Swiss francs, however, this fell by 1 per cent to SFr 7.66bn. In the non-life sector, the underwriting loss was reduced to SFr 367.6m, with an overall pre-tax profit figure of SFr 239.5m—up 13.8 per cent on the year before.

Merloni nets L60bn in share and bond issue

By Alan Friedman in Milan

MERLONI Elettrodomestici, the second biggest home appliance manufacturer in Italy after Zanussi, has raised L60bn ($48.8m) through a first-time share and bond issue on the Milan bourse and in London.

Merloni, which until now was wholly owned by Mr Vittorio Merloni, former president of the Confindustria employers' association, has successfully floated 25 per cent of its shares to raise L30bn.

A similar amount was raised by the issue of five-year bonds convertible into Merloni shares and carrying a 7 per cent coupon.

If the paper is fully converted — bondholders may take up the option from next year — the proportion of Merloni's equity on the stock market will rise to 40 per cent.

About one fifth of the shares and bonds on offer were placed from London with international investors in an operation co-ordinated by Swiss Bank Corporation. The Italian share and bond offer was organised by a consortium of 32 banks led by Banca Commerciale Italiana.

The company, which markets its washing machines, refrigerators, freezers, cookers and dishwashers under the Ariston label, last year had L512bn of total revenues, against L441bn in 1985. Consolidated net profit last year was L6.5bn, up from L3.5bn.

The Ariston brand has a share of about 15 per cent of the Italian white goods market, compared with Zanussi's 23 per cent, Candy's 13.5 per cent, Ocean's 8.5 per cent and Indesit's 4 per cent.

Merloni said that 43 per cent of its total sales last year came from outside of Italy. The company has a workforce of 3,380 employees, of which 920 work abroad. Merloni operates five factories in Italy, one in Portugal and one in the UK.

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INTERNATIONAL CAPITAL MARKETS and COMPANIES

Banks' floating-rate notes hard hit by Citicorp move

BY STEPHEN FIDLER AND ALEXANDER NICOLL

PRICES TUMBLED in the bank sector of the Eurodollar floating rate note market yesterday, and market makers widened the margins at which they were prepared to deal in US bank paper.

The cause was Citicorp's declaration on Tuesday that it would boost its loan-loss reserves by $3bn to reflect its exposure to Third World debtors.

After telephone consultations early yesterday, market makers agreed to broaden dealing spreads to 25 basis points for US bank paper with a final maturity of before the end of be dealt on a 50 basis point the century, while paper maturing in the 21st century would spread. This compares with 10 basis points on Tuesday.

Prices of US bank paper fell by up to 3½ points, before staging a partial recovery. Longer-dated, highly-subordinated issues were the worst hit. Citicorp's own notes maturing in 2011, for example, were quoted at 93¾ bid 98¾ offered late yesterday, against 95 bid 95.10 offered at Tuesday's close.

Prices for peripheral floating rate notes — paper issued by banks with no final maturity —declined by two to 2½ points.

Dated UK bank paper was also hit, after the Bank of England said it expected British banks would have to boost provisions for their sovereign loans. However, dated UK bank paper closed with net losses of about ⅛ point on the day.

Until the Citicorp announcement, the bank FRN market had been steadily recovering from lows plumbed in February.

The secondary market in straight dollar Eurobonds also looked decidedly sickly after Tuesday's sharp falls in the US Treasury bond market.

Falls of up to 1½ points were recorded in early trading, but the presence of a large number of dealers in Oslo for the annual meeting of the Association of International Bond Dealers subdued secondary market trading. A steadying of the dollar and a consolidation in

INTERNATIONAL BONDS

New York yesterday subsequently helped calm the nerves.

The primary market again saw a smattering of issues, with volume in the Australian dollar sector again benefiting from the malaise of the US market. Denmark returned to the Eurobond market for a A$75m 3½-year issue led by Warburg Securities, priced at 101½ with a coupon of 14 per cent.

Swiss Bank Corporation International brought Girozentrale of Vienna for a A$75m issue for three years, with a 17¾ per cent coupon and 101¾ pricing. Meanwhile an issue for WestLB Finance was expanded from A$50m to A$75m.

There was also an increase, from £100m to £110m, in General Cinema's bond convertible shares of Cadbury Schweppes. The issue was assigned a semi-annual 5 per cent coupon and the put option yields 8.67 per cent. It was trading at 102½.

Polly Peck, the British-based trading company headed by Mr Asil Nadir, launched its first international borrowing on the Swiss market. The SFr 65m issue, led by Warburg Soditic, will be divided into five- and 10-year tranches with indicated coupons of 5¼ and 3 per cent respectively, and indicated conversion premiums of 25 and 5 per cent respectively.

The Swiss market was steady in fairly active business with the focus on high-yielding bonds.

The West German market, meanwhile, eased in line with New York but later recovered somewhat. A new federal bond, expected at DM 4bn over 10 years, will be launched on Monday.

Also in the equity-linked sector, Coeur d'Alene Mines, a US silver producer, made a $50m convertible issue likely to be seen as an inflation play. Led by Kidder Peabody International, the 15-year issue has an indicated coupon of 6 per cent, and an indicated conversion premium of 23 to 25 per cent.

Seika, a Japanese machinery group, made a $32m five-year 2 per cent issue with equity warrants led by Daiwa Europe and guaranteed by Mitsubishi Bank.

Wood Gundy led a C$50m issue for Trimac, a Canadian bulk carrier, with a 10-year maturity, 7¾ per cent coupon, and a conversion premium set at 19.79 per cent. Unicharm's bond with warrants deal was increased from $60m to $70m.

Tokyo permits short sales of bonds

THE JAPANESE Ministry of Finance yesterday notified securities companies and banks that bond dealers will be permitted to engage in short sales of bonds, with effect from today, our Tokyo staff reports.

Bond dealers at Japanese securities houses will be permitted to sell short up to 30 per cent of their company's capital and reserves, and those at foreign securities houses up to the equivalent of their branches' financial resources.

Bond dealers at banks licensed to engage in full bond dealing will be allowed to sell up to 20 per cent of their broadly defined net worth. Brokerage houses and banks will be required to report their short sales amounts to the ministry every month.

The big Japanese brokerage houses have been pressing the ministry for many years to authorise short sales of bonds of up to 50 or even 100 per cent of their net assets.

Foreign brokers operating in Japan have been asking the ministry to add the net assets of their headquarters to their calculations, since their net assets in Japan are substantially lower than those of the leading Japanese brokers.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on May 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Japanese banks to give more data to Fed

By Yoko Shibata in Tokyo

FOUR JAPANESE trust banks and one city bank have agreed to supply information about their capital ratios to the US Federal Reserve Board in support of their plans to form subsidiaries in New York.

The banks concerned, Yasuda Trust and Banking, Sumitomo Trust and Banking, Mitsui Trust and Banking, Toyo Trust Banking, and Taiyo Kobe Bank told the Fed late last year of their intentions to set up trust offshoots in New York.

However, formal applications have been pending since the Fed asked the banks for information on their capital structures, in line with the capital adequacy rules and definitions of primary capital agreed between US and UK bank regulators. The Fed also requested detailed information on the trust banks' unrealised profits on securities holdings.

The Fed's request came in the wake of the US-UK accord on capital adequacy standards for banks, which lay down a net worth ratio of at least 6 per cent, excluding unrealised profits on securities holdings.

Japanese bankers interpreted the Fed's suspension as a deliberate reaction to their institutions' aggressive takeover tactics in the US and their growing presence in world financial markets.

In addition, the New York Fed has withheld approval of the Long-Term Credit Bank of Japan's application to buy a stake in Greenwich Capital Market, a US primary dealer, by telling the bank "the political environment was not right."

The Fed's unusual request for information has confused and upset the five Japanese banks. They say such details have never been sought by the Japanese Ministry of Finance or Bank of Japan.

Under the recent broad agreement reached between the US and Japanese regulatory authorities on the financial disclosure required for applications to set up subsidiaries, however, the Japanese banks will submit details of their unrealised profits from securities — information which they are not required to report to the Japanese Finance Ministry.

Even so, there is no guarantee that the banks will meet Fed approval for New York subsidiaries.

Merrill joins Indian mutual fund venture

By R. C. Murthy in Bombay

MERRILL LYNCH of the US and Unit Trust of India, that country's main investment institution, plan to launch jointly a $100m mutual fund in the US for investment in India.

The proposal follows interest generated in the existing India Fund, which was strongly supported by expatriate Indians and overseas investment trusts. Initially for $60m it was redesignated a sterling fund of £75m.

India Fund's net asset value has been below par recently, for which the strong pound and depressed share prices in India are considered responsible.

Mr M. J. Pherwani, UTI chairman, says prospects for a revival in net asset value are good with the current turnround in India's share markets.

UTI is seeking permission from the US Securities and Exchange Commission to launch the new dollar-denominated fund and expects good response from expatriate Indians and American investors.

A second rupee mutual fund is to be launched by SBI Capital Markets, a subsidiary of State Bank of India, the country's largest commercial bank.

N. AMERICAN QUARTERLIES

BOMBARDIER
Transportation eqpt., aerospace

First quarter	1987 C$	1986 C$
Revenue	289.6m	148.1m
Op. net income	9.9m	3.5m
Op. net per share	0.29	0.14

† Loss

CARSON PIRIE SCOTT
Retailing

First quarter	1987 $	1986 $
Revenue	352.0m	316.2m
Net income	405,000	†2.77m
Net per share	0.04	†0.27

† Loss

NATIONAL INTERGROUP
Steel, financial services

Fourth quarter	1987 $	1986 $
Revenue	1.3bn	823.2m
Op net income	†15.4m	†51.4m
Op. net per share	†0.78	†2.52
Year		
Revenue	4.54bn	2.89bn
Op. net income	†45.0m	†116.5m
Op. net per share	†2.46	†6.08

† Loss

TOYS "R" US
Toy retailing

First quarter	1987 $	1986 $
Revenue	474.0m	368.4m
Net income	14.5m	10.3m
Net per share	0.11	0.08

Hilary Barnes on the effect of market liberalisation in Denmark

Danes face up to changed climate

COPENHAGEN'S financial sector is undergoing profound changes under the dual impact of domestic reforms and liberalisation of international capital markets.

This year some of the oldest and most respected city broking firms will disappear as a reform of the stock exchange is implemented. But other brokers are responding to the challenge of change by thrusting vigorously into new business areas.

One such firm is Gudme Raaschou, Copenhagen's biggest broker with over 100 employees, which was extensively reorganised at the beginning of this year. The former partnership has been dissolved and replaced by a holding company, a banking company and a broking company.

The main influence for change in Denmark is the international process of liberalisation, for which the Danish authorities have shown much greater enthusiasm than their counterparts in other Nordic countries. Almost all restrictions on capital movements in and out of Denmark have been removed.

The Copenhagen Stock Exchange was reformed this year in direct response to the more liberal climate.

In the past, broking was carried out by 27 firms with a monopoly of trade on the stock exchange. These firms were partnerships with the partners having personal liability.

Recent legislation ended the partnership system. Brokers must now be incorporated as limited liability companies. The change enables banks and other financial institutions to set up broking subsidiaries.

Several former partnerships decided that they could not compete with the newcomers and sold out to the banks.

> Several partnerships decided they could not compete and sold out to the banks

Gudme Raaschou, however, has chosen a different route, expanding into areas where it is in direct competition with the banks, especially in the field of corporate finance.

To this end the partnership recruited Mr Kaare Dullum in 1984. Mr Dullum was for many years the financial manager at Novo, the Danish insulin and enzymes manufacturer, where he established an international reputation by pioneering the first international flotation in recent times, of equity in a Scandinavian company.

Besides being on the supervisory boards of the Gudme Raaschou holding company and the broking company, he is also chief executive of Gudme Raaschou Bank.

Mr Dullum sees opportunities for Gudme Raaschou coming from the development of a greater sophistication in many of its activities.

A few years ago, Danish companies in need of investment banking services, had to go to London, New York and Switzerland, he said. "We are now able to offer many of the services which we could not do a few years ago.

"Over the past two or three years we have developed an expertise enabling us to compete."

This is a direct result of the wealth of new opportunities which have emerged over the past few years for firms to raise finance both at home and abroad. In turn, this has generated a need for independent financial advice and consultancy services.

Gudme Raaschou Bank, with share capital of only DKr 50m ($7.48m), does not make loans to big industrial customers. It leaves this business to the larger banks.

"We come in from the other side, as an investment bank. We try to make the market as transparent as possible for the customer," said Mr Dullum.

Project financing, advice on capital structure and foreign exchange risks, private placements and share flotations, and assistance with mergers and acquisitions are among the main services offered.

Portfolio management has become another important new field. With the Danish market

> Opportunities seen coming from more sophistication in many activities

almost isolated for nearly 50 years from international markets, and the Danish equity market comatosed, portfolio managers had only one choice —domestic bonds. Not surprisingly, portfolio theory had become a neglected aspect of economics in Denmark.

Local expertise has therefore to be built up in order to compete with international financial advisers. Gudme Raaschou is not alone in developing the new services, but an early appreciation of the possibilities has probably given it an edge over many local competitors.

Credit Agricole reform bill wins approval

BY GEORGE GRAHAM IN PARIS

FRANCE'S council of ministers yesterday approved the bill which will return control of Credit Agricole, the country's large agricultural bank, from the state to its regional member banks. Banker valued the deal at up to FFr 18bn ($3bn).

The bill effects what is officially described as the mutualisation of the Credit Agricole, but has been labelled by many as the group's privatisation—although shares will not be offered to the public.

Mr Alain Juppe, the government spokesman, said the change "responds to the wish to lighten the control of the state over one of the principal financial networks."

The plan has, however, aroused hostility not only from trade unions and the opposition Socialist party, but also within the Government itself. Some ministers view the change in the Credit Agricole's structure as a personal whim of Mr Francois Guillaume, the agriculture minister, with little financial logic.

Mr Guillaume has said the reform will "hand the Credit Agricole back to the farmers."

The reform bill, which should be put before parliament in the current session, aims to transform two central organs of the Credit Agricole group into common law companies.

Caisse Nationale, which acts as a central treasury to the 94 regional Credit Agricoles, will be merged with the joint guarantee fund, which insures the regional banks.

The state will then sell 90 per cent of the new company to the regional banks, with 10 per cent of the capital reserved for employees of Caisse Nationale and its subsidiaries.

As with other, more conventional denationalisations, the privatisation commission will fix a minimum value for the state to give up its ownership of Caisse Nationale. Purchasers will be allowed a five-year delay before they have to pay, however.

The offer will require 75 per cent acceptance by the regional Credits Agricoles.

Although the reform is aimed partly at making Credit Agricole compete on a more even footing with other banks, the Government has decided not to remove tis two distinctive advantages—its monopoly over the distribution of state-subsidised agricultural loans, and its guaranteed share of the deposits of official notaries, totalling around FFr 12bn.

The state will also retain the right to approve nominations to the post of managing director of Caisse Nationale.

The whole Credit Agricole group, including both Caisse Nationale and the regional banks, recorded profits of FFr 1.55bn last year with total assets of FFr 997bn.

With over 10,000 offices in France, the group has more than 14m account-holders. It claims to handle nearly one-third of all the current accounts in France, and to be the issuer of 38 per cent of the bank cards. The group also claims to have handled 18 per cent of the shares sold to the French public in the recent privatisation of Paribas.

Credit Agricole lent FFr 23.3bn to the agricultural sector last year, around 70 per cent of total agricultural lending. A further FFr 2.4bn of loans were made to the agricultural and food industries.

Agriculture is no longer the sole mainstay of the "green bank;" consumer lending rose by 60 per cent last year, for example, and lending to small urban businesses has also advanced. Under the new law, however, farmers' representatives will maintain control of 75 per cent of the board seats on the regional banks.

The Government has overriden on this point the objections of the Conseil d'Etat, the French constitutional advisory body, which had said that it would be wrong to attribute these seats in advance

Sony sees weaker result after first operating loss

BY YOKO SHIBATA IN TOKYO

SONY, the Japanese consumer electronics producer, has had to put off until 1988-89 the earnings recovery it is seeking, and now expects a flat to weaker result in the current year.

Results for the five months to March were severely affected by the yen's appreciation, and the parent company reported its first operating loss since it went public in 1958.

The deficit of Y6.63bn ($47m) for the irregular period — before a change in year-end — was a sharp turnabout from comparable operating profits of Y11.49bn. Sony managed pre-tax profits of Y13.2bn, down 47 per cent.

The group as a whole showed a 56 per cent slide in net profits to Y13.26bn, on a 5.2 per cent fall in turnover to Y547.75bn.

Overseas sales fell 8.5 per cent to account for 70 per cent of the total, while domestic sales advanced by 2.4 per cent, attributed to a good showing in audio equipment, including compact disc players.

For the current full-year the parent initially expected a 10 per cent increase in pre-tax profits. However, the outlook has dimmed and unconsolidated pre-tax profits are now projected at Y30bn, down 18 per cent from the level for the year ended October 1986, on turnover of Y1,000bn, down 3 per cent.

Sony is attempting to counter the adverse situation by expanding its overseas production and developing new products. In the meantime, directors are to lose their bonus payments.

Fanuc shows plunge in earnings

BY OUR TOKYO STAFF

FANUC, the world's biggest manufacturer of numerically controlled equipment for machine tools, reported a 42.5 per cent fall in its unconsolidated pre-tax profits to Y33.64bn in the year ended March 1987.

Net profits also plunged by 32 per cent to Y19.03bn, on turnover of Y118.57bn, down 30.3 per cent from the previous fiscal year. The annual dividend is unchanged at Y15 per share.

Sales of its mainstay computer numerically controlled (CNC) equipment declined by 29 per cent, electro-dischargers fell 25 per cent and industrial robots were down 70 per cent, while exports fell by 31 per cent.

The steep sales decline was attributed to sluggish demand from its customers such as machine tool manufacturers and other industrial machinery makers which were also hit by the deflationary impact of the yen's sharp rise.

For the current fiscal year, the company expects its exports will pick up, buoyed by full-fledged operation of its overseas joint subsidiary with General Electric of the US.

Assuming the yen stays at Y135 to the dollar, annual sales are projected at Y134bn, up 13 per cent, pre-tax profits at Y38.6bn, up 14 per cent, with net profits at Y18.4bn, down 4 per cent from the previous year. The annual dividend will remain at Y15 per share.

Steep decline in profits at Fuji Heavy

BY OUR TOKYO STAFF

FUJI Heavy Industries, the major Japanese vehicle and machinery group, yesterday reported a 51.4 per cent slide in its pre-tax profits to Y14.84bn in the year ended March 31 1987.

The company said the upsurge of the yen's value reduced overall sales by 7 per cent to Y715.72bn. With the strong yen eroding profits by Y95.9bn, net profits fell by 21 per cent to Y10.21bn.

Annual turnover broke down into Y603.6bn for automobiles, down 7 per cent, Y22.38bn for machinery, down 17 per cent, Y23.05bn for rolling stock, up 22 per cent, Y28.14bn for buses, down 8 per cent and Y38.56bn for aircraft, unchanged.

For the current fiscal year ending March 1988, pre-tax profits and net profits are projected at Y14bn (down 6 per cent), and Y8bn (down 22 per cent) respectively on turnover of Y710bn, down 1 per cent.

Fuji Heavy Industries plans to increase its capital spending to an all-time record of Y71bn for the current fiscal year.

BNP plans to regroup its equity holdings

By George Graham in Paris

BANQUE NATIONALE DE PARIS, France's largest bank, is to concentrate its principal equity holdings in its subsidiary, Compagnie d'Investissement de Paris.

CIP will be jointly controlled by Banexi, BNP's investment banking offshoot, and by Societe Financiere Auxiliaire, a 100 per cent BNP subsidiary, and will regroup the banking group's equity stakes of over FFr50m ($8.4m).

Mr Gerard Nouis, president of Banexi, said yesterday that CIP could also bring in other partners from outside the BNP group, although the structure had not yet been finalised.

The new holding company will have total capital of FFr 3bn-4bn, and will take over some of Banexi's larger holdings such as St Louis Bouchon, the food group; Sommer Allibert, the plastics and floor covering producer; and the Accor hotel chain.

Banexi will act as one of the operational agents for CIP, which is expected to play *more of a sleeping partner* role with its stake than the investment banking company. Banexi usually limits its holdings to a maximum of FFr 30m — though some have in the past exceeded this level — and aims to take strategic stakes.

In 1986, Bannexi's investments totalled more than FFr 200m, but sizeable disposals left its total portfolio FFr 18m lower at a book value of FFr 740m. The company's profits tripled to FFr 196.5m, of which around half was owing to a capital gain realised when it sold half its stake in Lesieur, the food company taken over last year by St Louis Bouchon.

ICI Australia in A$200m bid for drugs group

BY BRUCE JACQUES IN SYDNEY

ICI Australia, the quoted subsidiary of Imperial Chemical Industries, yesterday moved to increase its dominance in the Australian chemical and pharmaceutical industry with a takeover bid of over A$200m (US$144m) for F. H. Faulding, the country's leading pharmaceuticals group.

ICI is offering A$7.10 for each of the Adelaide-based concern's shares and convertible notes, subject to a 90 per cent acceptance condition.

The Faulding board reacted by telling shareholders not to sell pending a meeting to be called "as soon as possible." ICI directors said the two companies had complementary products and resources in the Australian health care industry and could expand more effectively together.

The bid compares with a last sale price of A$6 for Faulding shares in Sydney yesterday. The Faulding share price has run up from a 1987 low of A$4.75 following a re-rating of the stock as a beneficiary of the Australian dollar's devaluation, and also for possessing a "high-tech" tinge.

The company had turnover in 1986 of nearly A$300m and some medical research breakthroughs to its credit.

Faulding is also no stranger to take-over attempts, having survived two in the early 1980s from the group which is now Nicholas Kiwi and from the overseas-based Glaxo group. The latter bid was blocked by the Foreign Investment Review Board, but following relaxation of foreign investment rules, it is unlikely that ICI would have problems in this area despite its British parentage.

Following the sale of a 23 per cent stake in the company by SA Brewing late in 1985, Faulding's major shareholder is now the AMP Society, which holds about 14 per cent.

Modest after-tax advance for ACI International

BY OUR SYDNEY CORRESPONDENT

ACI International, one of Australia's largest industrial conglomerates, has come through a year under siege with a modest after-tax profit increase and plans to spend more than A$200m (US$144m) in Australia in 1987-88.

The company, which spent most of the past year under takeover pressure from Mr Alan Hawkins's Equiticorp group, lifted after-tax profit for the year to March from A$86.9m to A$96.1m on a turnover which was up from A$2.1bn to A$2.4bn.

Directors said the result reflected increased profits from overseas businesses especially in the US which confirmed its offshore investment strategy. But considerable investments were planned at home in the current year.

Profits from Australian packaging operations rose by 19 per cent in the period while flat glass operations lifted their contributions by 35 per cent.

Directors also announced a revaluation of the company's land and buildings, which has added A$91.5m to shareholders' funds. A decision will be made on dividend payment for the year on June 5, including the extent to which it may be franked under Australia's dividend imputation system.

The result followed a rise in interest provisions from A$45.1m to A$50.9m, while tax was virtually static at A$83.5m. Depreciation provision rose from A$102.6m to A$111.6m.

However, the result excluded a large extraordinary loss of A$104.37m compared with a A$13.5m profit previously. The loss was related to a previously announced write-off of the unamortised balance of foreign exchange losses on borrowings.

Setback for Kumagai Gumi

By Our Tokyo Staff

KUMAGAI GUMI, the aggressive Japanese construction company, reported lower sales and pre-tax profits in the first half-year ended March 1987. Pre-tax profits fell by 9.5 per cent to Y8.97bn with net profits reaching Y4.6bn, up 0.2 per cent over a year before.

Mid-term sales dipped by 8 per cent to Y322.53bn. The company blamed its lacklustre business performance on slack orders for overseas construction and real estate, which decreased about 80 per cent and 40 per cent from a year before, respectively. Orders received during the half-year fell by 30 per cent to Y306.8bn.

Operating profits deteriorated by 20 per cent.

Full year pre-tax profits are projected at Y26bn, down 8.4 per cent, and net profits at Y11.5bn, down 5.5 per cent, on turnover of Y800bn, down 4.9 per cent from the previous year. The annual dividend will be unchanged at Y9 per share.

Jordan bank results mixed

BY RAMI G. KHOURI IN AMMAN

FOUR LEADING Jordanian banks have reported mixed results for 1986, reflecting central bank-mandated higher provision levels and the continued dearth of good new domestic lending opportunities.

The Housing Bank had slightly higher pre-tax profits of JD 2.85m ($8.6m), compared with 2.75m the previous year. The balance sheet total rose from JD 382m to JD 427m. The bank distributed JD 1.22m in cash dividends, at 11 per cent of par share value.

Jordan National Bank's balance sheet total rose from JD 135m to JD 147m and operating income was up slightly, from JD 12.5m to JD 13.5m, though net profit dropped from JD 2.04m to JD 1.98m. It distributed JD 1.36m in 15 per cent cash dividends, against JD 1.64m the previous year.

The Bank of Jordan, which last year bought the Jordan operation of Chase, saw its balance sheet grow from JD 95.6m to JD 126.5m, with pre-tax profit *rising* from JD 1.8m to JD 1.91m. It distributed 16 per cent cash dividends worth JD 776,000, compared with the previous year's JD 670,000.

The Jordan-Kuwait Bank's balance sheet rose from JD 128.4m to JD 136.9m, but net pre-tax profit declined from JD 1.6m to JD 1.1m. The bank made no dividend payment for 1986, due to higher provision levels and a board decision to carry forward the JD 500,000 allocated for dividends to next year's accounts.

Body Shop deal clears way for US expansion

BY STEVEN BUTLER

Body Shop International, the rapidly-growing UK-traded natural cosmetics products company, has cleared the way for expansion into the American and Japanese markets with an agreement announced yesterday to acquire for 3.5m dollars "The Body Shop" trademark from two US companies, Janes Store and Madge.

Janes Store currently owns the trademark "The Body Shop" in the US and Japan, and is a wholesale supplier of cosmetic products using the trademark. Madge is licensed to use the trademark on retail and mail order cosmetic products.

The vehicle for transfer of the rights over the trademark is to be the creation of a new company, Mark Transfer Company, which will own the trademark for cosmetic products in the US and Japan. The shares of Mark Transfer will be paid for by the allotment of 368,177 new ordinary shares of 5p each nominal value of Body Shop International.

Janes Store will continue using The Body Shop name until July 1 1988. Body Shop International may be obliged to buy the Madge retail and mail order business at Madge's option within the next five years at a price earnings ratio of 8½ based on the latest results at the time. Madge may continue using the trademark for five years in the San Francisco area.

Plans for expansion in the US are still modest, with one store scheduled for opening in New Jersey in the spring of 1988, and a store at an additional location in July 1988. A much broader expansion is anticipated in future years in both the US and Japan.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Acatos & Hutcheson int	3	July 27	2	—	5.75
AIB	6.25	July 15	55	1125	10
Avon Rubber ....int	3†	July 6	2.5	—	6.5
Baggeridge Brick ...int	0.75	Aug 11	*0.5	—	*1.75
Bass ....int	4.8	—	4.2	—	17
Bisichi Tin	0.75	Aug 21	0.65	0.75	0.65
Coloroll Group	3.45	—	3	5.15	5
Cramphorn‡ ....int	§2.5	—	1.67	—	6.17
Gartmore Amer Secs	0.8	—	0.7	1.4	1.3
Granyte Coatings‡	1.6	—	1.35	2.5	2.1
Hartwells	2.12	July 31	177	3	2.65
Irish Distillers ......int	¶2	July 21	2	—	7.65
Leeds Group ....int	2.7	—	2.25	—	6.25
Parkland Textiles	3.4	July 10	3.2	5	4.8
PWS Holdings ......int	†3.5	July 3	4.4	—	8.4
Ranks Hovis ....int	†2.65	July 10	2.12	—	6.61
RHP Group ....int	2.2	—	1.9	—	5
Tunstall Group ......int	1	July 1	0.8	—	2.48
TR Prop Invest	0.88	—	*083	1.4	*1.33
Whitbread	6.4	July 24	5.55	8.9	7.8

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish pence throughout. ‖ To reduce disparity.

Cleves purchases Ex-Lands stake

Cleves Investments announced yesterday that it had acquired a 14.9 per cent stake in Ex-Lands, the investment company, and was seeking discussions with Ex-Land's board over the development of its activities.

Shares in Ex-Lands rose sharply, to close at 80p, up 27p on the day.

A spokesman for Cleves said it would be seeking board representation and felt it could make a "major contribution" to the business. But Ex-Lands said that after considering the approach with its main shareholder, Kivahu, which owns 43.99 per cent of its shares, it saw no purpose in continuing discussions with Cleves, which it had terminated.

Anglo United buys LCP Fuels

BY NIKKI TAIT

Anglo United, the opencast coalmining group in which Hillsdown Holdings took a 29.9 per cent stake last December, yesterday emerged as the purchaser of LCP Fuels—a part of LCP group put up for sale by retailer, Ward White, following its successful £173m bid last year.

Anglo is paying £11.25m for the Midlands-based fuel distribution business. According to Anglo, the acquisition is part of its planned diversification away from the volatile coal extraction business and into other energy-related areas.

On a mix of audited figures and management accounts, LCP Fuels made £1.24m before tax in the year to end-March, on sales (in a 10-month period) of £41.9m. Net assets at end-January were £1.27m. Also included in the deal is a small coking operation which made about £130,000 pre-tax.

Anglo is paying for the acquisition via a rights offer of 11.2m convertible preference shares—offering a fixed net dividend of 7.25p and convertible on a three-for-two basis between 1990 and 2000.

These new shares will be offered to existing shareholders on a basis of 10 convertibles for every 104 ordinary held.

Hillsdown has agreed to take up its own rights entitlement, at a cost of £3.36m, but two Anglo directors who control 34.9 per cent of the company via two Netherlands Antilles companies, will not be doing so, and their shares will be placed directly with institutions. The issue, aside from the Hillsdown entitlement, has been underwritten.

By using convertible stock to fund the deal, Anglo directors (helped by the friendly Hillsdown stake) retain control of the business without putting up new money.

Anglo is still sitting on some £7m cash—the bulk of Hillsdown's injection in return for its stake—but says it is saving this for smaller acquisitions.

Anglo, which claims to be one of the largest open-cast mining companies in Britain, also announced estimated pre-tax profits of £4.5m with earnings per share at 3.3p in the 17 months to end-March (its new year-end).

In the year to October 1986, Anglo made £3.36m before tax on sales of £15.8m.

Anglo shares were unchanged at 59p yesterday.

Bid on way for GRA

BY NIKKI TAIT

An agreed offer by property company, Priest Marians, for GRA Group, the greyhound racing promoter turned property company, looked increasingly likely last night, following yesterday's board meeting at GRA.

An announcement will probably be made ahead of the weekend—either late today or on Friday.

Yesterday, Priest Marians' advisers, Samuel Montagu, would say only that negotiations between the two companies had reached "an advanced stage."

However, Mr Simon Fussell, chairman of Priest Marians, indicated that the property company envisaged running GRA as an independent leisure division within the group, with GRA's chairman, Mr Isadore Kerman, joining the Priest Marians board.

The current GRA policy—of upgrading and developing stadia where appropriate—would continue, he said. However, as time went on and depending on land values, alternative uses for certain sites might be considered.

GRA shares eased 1½p to 122½p yesterday, valuing the company at around £53m. Earlier this week, Leisure Investments—another rumoured suitor for GRA—sold part of its 5.6 per cent stake in the racing promoter, on the grounds that the price of the company had gone ahead of what Leisure thought it was worth.

UK COMPANY NEWS

Clay Harris and Mike Smith on Suter's plans for its new bid target

Engineering a solution for Mitchell Cotts

MR DAVID Abell openly admits that Mitchell Cotts wer only second choice as a takeover target for Suter, his engineering and distribution group which is bidding £74m for the troubled engineer, contractor and international trader.

Until a few weeks ago, Suter was focusing instead on Newman Industries, the rivets and fasteners group. Newman could have increased Suter's profits by 50 per cent at one fell swoop, probably without much repair work, according to Mr Abell, chairman and chief executive.

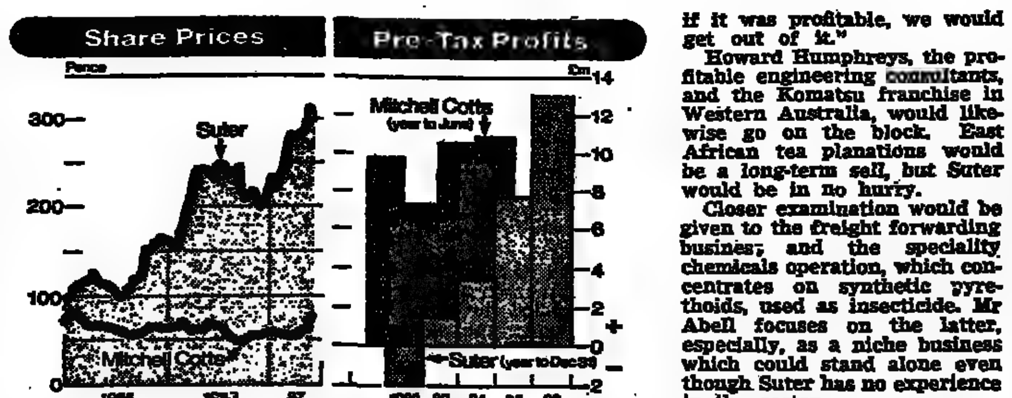
But Winterbottom Holdings, Australian investment group, outbid Suter for a key 26 per cent stake, making the prospect of a full bid both more difficult and probably too dear for Mr Abell's conservative tastes. Without further ado, he turned his attention to Mitchell Cotts.

That Mr Abell wanted Newman more does not mean, however, that he now wants Mitchell Cotts any less. But, if successful, it promises to be altogether a different sort of takeover.

Suter is prescribing radical surgery for Mitchell Cotts, a company which analysts described yesterday as facing a deteriorating financial situation. Some fear that Mitchell Cotts may be prompted to sell more assets before the year-end.

Mr John Storar, Mitchell Cotts chairman, confirmed yesterday that such sales were likely. "It is no secret that we have a disposal programme," he said. "This is not a plan that has evolved because of a bid situation. This is a plan that was already in place."

Before the bid, several City analysts had reduced their profits forecasts for the year to June 30. The consensus now is £5m before tax, well up on last year's £89,000, but lower than the £7m forecast earlier and the £10.9m achieved in 1984-85.



Mr Storar rejected out of hand suggestions that Mitchell Cotts might be tempted to use pension surpluses to boost its profits this year.

With Mitchell Cotts and its financial adviser, Samuel Montagu, preparing a spirited defence, Mr Abell yesterday spelt out his plans for what amounts to a break-up.

Suter would definitely sell Mitchell Cotts' contracting and construction operations, source of so many problems in recent years. This reflects not only the group's difficulties in South Africa and Australia, but also Suter's intention to stick to its last.

"We will never have anything to do with contracting of any sort," Mr Abell said. "Even if it was profitable, we would get out of it."

Howard Humphreys, the profitable engineering consultants, and the Komatsu franchise in Western Australia, would likewise go on the block. East African tea plantations would be a long-term sell, but Suter would be in no hurry.

Closer examination would be given to the freight forwarding business; and the speciality chemicals operation, which concentrates on synthetic pyrethoids, used as insecticide. Mr Abell focuses on the latter, especially, as a niche business which could stand alone even though Suter has no experience in the sector.

These disposals would leave Suter with its main target, the engineering and distribution activities, which would fit in with its own.

The disposals would raise from £20m to £30m, Mr Abell estimated, although the logic of the bid did not depend on these proceeds.

The Mitchell Cotts bid is twice the size of Suter's largest acquisition, that of UKO International in March last year. That Suter can contemplate such a step is a measure of the metamorphosis it has undergone in the six years since Mr Abell quit his job as head of BL Commercial Vehicles so that he could make his mark with an independent company.

When he took over in early 1981, Suter was an unfashionable distributor of hairdressing equipment with a market capitalisation of £5m and pretax profits of about £300,000. Today the company is worth £210m and analysts expect pretax profits of £20m.

Suter still makes hairdressing equipment—it now claims to be Britain's leader in the field — but its main profit earners are Searle Manufacturing, which makes heat exchangers for refrigeration and air conditioning units, and Nationwide Refrigeration Supplies, which is Britain's largest commercial wholesaler in this field with 23 branches.

Other companies include Cory Coffee, office catering supplier; Clearplas, maker of plastic mouldings for the motor industry; and Francis Packaging, which specialises in metal containers.

None of these is exactly a household name but that does not worry Mr Abell, who was put off high-flying glamour companies when as an investor he had his fingers burned in 1974.

"Suter is about good solid businesses, preferably with a market niche and strong cash flow," he says. "If a recession comes, we will be protected."

Suter's growth has, of course, been helped by the City's high regard for its paper. Partly because of the reputation Mr Abell brought with him from Leyland, Suter shares have constantly been at a premium to the rest of the engineering sector, and the company has been able to make acquisitions relatively cheaply.

Suter and Robert Fleming its merchant bank, yesterday bought Mitchell Cotts shares in the stock market to raise their total stake to 14.99 per cent.

Mitchell Cotts, meanwhile, repeated that the engineering and distribution group's £74m takeover bid was "unsolicited and unwelcome" and urged shareholders to take no action.

Independent sources suggested Suter would have had no trouble in raising its stake in the engineer, contractor and international trader had its purchase not been limited by the fact that it is not offering a cash alternative.

There were also reports in the market that Rushlake Holdings, a private company, had sold some of its 17.4 per cent stake in Mitchell Cotts yesterday. Any such change in its holding would have to be reported today. Mr Nureddin Jivraj, whose family controls Rushlake, would not confirm or deny whether any dealings had taken place.

Rushlake recently rejected an offer for Suter to buy its stake for an effective price of 70p per share. The transaction would have taken the form of a placing for cash of new Suter shares.

Suter shares lost 12p to 299p yesterday to value its all-paper bid at nearly 75p.

AIB earnings advance 20%

Allied Irish Banks did not quite hold the gain reported at the half year when pre-tax profits showed a rise of 19½ per cent but the 17.4 per cent improvement from £87m to £102.1m in the year to March 31 1987 should be seen in the light of the continued recession in the Republic of Ireland, said Mr Gerry Scanlan, chief executive.

A feature of the results was the appreciable rise in after-tax earnings up 20 per cent to £65.4m, which had shown little growth over the past three years, Mr Scanlan continued. The results represented a 14 per cent return on average shareholders' funds.

Net operating income had increased by 11 per cent as compared to a rise in costs of 8 per cent. This resulted in a return of 0.76 per cent (0.66 per cent) on total assets.

Once again, the contribution of the group's external operations was significant, accounting for some 52 per cent of profits. The US affiliate, First Maryland Bancorp contributed $20.4m, up 17 per cent from the previous year. Because of the fall in the US dollar, the Irish Pound contribution was down by IR£1m to IR£15.2m. the investment in First Maryland is scheduled to increase to 51 per cent by the end of 1987.

Activities generally in the home market had once again been affected by a continuing bad debt experience, accounting for a significant share of the overall charge of IR£48.6m.

Mr Scanlan said activities in Northern Ireland and Britain turned in good performances but in corporate banking and Treasury operations, the lending market continued to be difficult.

● comment

A few hours after Citicorp shook the market with its $2½bn debt write-off was not the best time for AIB to be producing results and confirming plans to take its stake in First Maryland Bancorp up to 51 per cent. With FMB's $5.3bn balance sheet on board, the group's capital adequacy ratio would slip from the current 8.4 per cent to 6.8 per cent. This will, by a small margin, meet existing Irish requirements but if greater stringency on adequacy becomes the order of the day in the US, AIB may have to consider coming back to its shareholders. In Ireland (where two-thirds of assets are employed) bad debts are still a problem—and one which is not compensated for by any rise in credit demand in a recession hit economy with the highest real rates of interest in the Western world. Not surprisingly, therefore, AIB is showing more interest in the UK, where profits were up strongly to I£27m, as the recent joint-venture agreement with Bryant to develop an 18-acre residential site i Sussex indicates. The shares have recovered from their post-rights trough but are unlikely to move up much further until the full impact of FMB's consolidation is clear.

All-round growth boosts RHP

BY ALICE RAWSTHORN

RHP Group, the precision engineering concern, yesterday unveiled a 52 per cent increase in pre-tax profits to £9.54m in the six months to April 3 on turnover which rose by 12 per cent to £87.42m.

D"ring the 1980s RHP has diversified from its core business in industrial bearings, to move into niche areas of the electrical engineering sector. In the first half the group enjoyed buoyant demand in every area of activity, especially within the fasteners division and Graviner, the fire protection business acquired from Allegheny last year.

The group has now exhausted its tax losses and has returned to a full tax charge. As a result taxation deducted £3.5m (£1.31m) from profits and earnings per share fell to 7.8p (8.0p). On a direct comparison with the first half last year, however, earnings per share rose by 1.5p to 7.8p. The directors propose to increase the interim dividend to 2.2p (1.9p).

Bearings is still—just—the largest contributor to earnings, with profits before interest rising to £4.92m (£4.21m). Demand for industrial bearings is still static, but precision and aerospace bearings operated at full capacity.

The electrical division sported the fastest profits growth, fuelled by healthy demand and the first full contribution from Graviner. Its contribution to profits jumped to £4.8m (£2.8m).

Fasteners, the smallest division, also lapped up brisk growth, increasing its profits to £359,000 (£291,000).

Borrowings have been substantially reduced and should be eradicated by the year end. As a result interest payable fell to £535,000 (£1.62m). RHP received an extraordinary credit of £1.95m in the first half from the sale of surplus land.

The pace of business has been buoyant thus far in the second half of the year. The group is now eager to embark upon further acquisitions in the electrical engineering field.

● comment

Time was when the City could dismiss RHP and its "boring" old industrial bearings. No more. Through a combination of prudent cuts and shrewd diversification the company now commands respect as a broadly based—and tightly run—engineering group. Even its industrial bearings are not quite so boring any more. By gambling with market share the group is gleaning reasonable returns from a static market, while precision and aerospace bearings are strained to full capacity. In electrical engineering RHP has proved what it can do with a promising acquisition like Graviner, while with fasteners it has shown that it can sustain long term growth. The City expects profits of £23m for the full financial year, but earnings per share will wilt with the surging tax charge. The shares fell by 4p to 232½p in a morbid market yesterday, yet analysts anticipate further growth . . . especially if RHP adds the frisson of an appealing acquisition.

TR TECHNOLOGY INVESTMENT: Net asset value at March 31 171.9p (145.7p). Earnings per share 1986-87 2.35p (2.12p). Final dividend 1.4p, making 1.9p (1.8p). For current year it is proposed to pay an interim dividend of 0.3p to reduce disparity with final. A one-for-one scrip issue is proposed.

AUTHORITY INVESTMENTS: In respect of the recent rights issue 3.28m shares (96.2 ner cent) were taken up. Balance has been sold in the market.

BOARD MEETINGS

TODAY

Interims—Akroyd [illegible].

Finals—British Borneo Petroleum Syndicate, Castings, Derland [illegible], Hambros Investment Trust, High Gosforth Park, Nu-Swift Industries, Toshiba Corporation, Triefus, Underwoods, Whan Investment.

FUTURE DATES

Interims—

Devenish (J. A.) .... June 16

Dobson Park Inds. .... May 29

National Australia Bank .... May 29

Richards .... May 27

Finals—

Bradford Property Trust .... June 16

Carless Capel and Leonard .... June 2

Ivory and Sime .... May 26

Racal Electronics .... June 23

Racal International .... June 23

Sharston Securities Intnl. .... June 1

Warnford Investments .... May 28

Big demand for Computer People shares

By Richard Tomkins

The mini offer for sale of shares in Computer People, the computer staff agency, has met with an enthusiastic response. It was about 20 times subscribed when it closed yesterday morning.

Hill Samuel, the merchant bank sponsoring the flotation, said about 25,000 applications had been received for a total of 34m shares, compared with the 1.7m which were on offer at 230p each.

A heavy rationing is therefore inevitable. Details will be announced today.

Computer People is the first company to have come to the stock market using the mini offer for sale. Half of the 3.4m shares being floated off were placed with institutional investors, and the other half were offered to the public.

Profits double at Baggeridge Brick midway

Pre-tax profits more than doubled at Baggeridge Brick in the six months ending March 31, 1987, which, the directors said, fully justified the company's programme of capital investment.

On turnover ahead by 50 per cent to £6.7m (£4.47m) the pre-tax result came out at £1.17m against £572,000.

Trading for the half year had been buoyant, they said, with little restriction on building activity. Orders for all the company's products were appreciably higher than at this stage last time and present indications were for another successful year.

An interim dividend of 0.75p (0.5p adjusted) will be paid. The total payment for 1985-86 was an adjusted 1.75p, when pre-tax profits of £2.21m were achieved.

Public Works Loan Board rates

Effective May 20

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
1	—	—	8¾	—	—	9¼
Over 1 up to 2	8¾	8¾	8¾	9¼	9¼	9¼
Over 2 up to 3	8¾	8¾	8¾	9¼	9¼	9¼
Over 3 up to 4	8¾	8¾	8¾	9¼	9¼	9¼
Over 4 up to 5	8¾	8¾	8¾	9¼	9¼	9¼
Over 5 up to 6	8¾	8¾	8¾	9¼	9¼	9¼
Over 6 up to 7	8¾	8¾	8¾	9¼	9¼	9¼
Over 7 up to 8	8¾	8¾	8¾	9¼	9¼	9¼
Over 8 up to 9	8¾	8¾	9	9¼	9¼	9¼
Over 9 up to 10	8¾	8¾	9	9¼	9¼	9¼
Over 10 up to 15	8¾	9	9¼	9¼	9¼	9⅜
Over 15 up to 25	9¼	9¼	9¼	9⅜	9⅜	9⅜
Over 25	9¼	9¼	9¼	9⅜	9⅜	9⅜

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Leisure boost for Bass gives £147m halfway

BOOSTED BY a good performance in its leisure activities, Bass raised its pre-tax profit by 13 per cent, from £130.1m to £147.4m, in the half year ended April 11 1987.

In the group's main activity of brewing, drinks and pub retailing the profit rose from £121.1m to £133.7m. Sir Derek Palmar, chairman, said a growth in beer volumes resulted in a good performance in the drinks and pub retailing business.

Lager continued to grow and accounted for more than half of beer sales.

Contribution from leisure moved ahead from £6.4m to £15.4m, with particularly good results in Coral Racing and Crest Hotels, both at home and abroad. The amusement machine business, however, did not achieve the same level of growth.

On prospects he said the second half had started well. He looked forward to continuing growth for the remainder of the year.

Sir Derek Palmar, chairman of Bass

Sir Derek also announced his impending retirement from the board. He will leave on September 30 and become president. Mr I. Prosser will take the post of chairman and chief executive.

Turnover for the group in the six months totalled £1.51bn, compared with £1.37bn the year before. Brewing, etc, provided £1.13bn (£1.05bn) and leisure £380.3m (£321.65m).

Earnings for the period rose to 29.4p (25.5p) and the interim dividend is increased to 4.8p net (4.2p).

There was an extraordinary credit of £13.9m this time, relating to surplus on disposal of the UK holiday centres together with the release of reorganisation costs provision no longer required.

Costs incurred in holiday centres to date have been charged to operating profit.

Since the end of the half year the company's bid for Horizon Travel had become unconditional. Terms will be satisfied by the issue of not more than 7.6m Bass shares, representing 2.3 per cent of the existing capital.

See Lex

Whitbread ahead 16% for year

AN INCREASE of 16 per cent in pre-tax profit for the year ended February 28 1987 is reported by Whitbread and Co. The directors said this was very satisfactory in view of the lack of growth in the UK beer market and depressed market for wines and spirits in the US.

The profit came to £158.9m (adjusted £136.8m previously) and represented the 12th consecutive increase. And for the current year the opening months were encouraging in all sectors of the business, said Mr Samuel Whitbread, chairman.

For the future he was confident that the development strategy was on course to produce good results again this year.

Turnover at £1.55bn showed only a marginal improvement over the 1986 figure, which was adjusted to exclude the majority of turnover from UK wines and spirits following the formation of European Cellars with Allied-Lyons. Including that would have given an increase in turnover of 8 per cent, the chairman stated.

Of the £188.3m (£174.6m) operating profit 49 per cent came from brewing and wholesaling, 37 per cent from retailing and 14 per cent from wines and spirits.

A break-up shows: brewing and wholesaling of beer £92.4m (£83.1m); managed outlets, restaurants, leisure activities £69.4m (£55.9m); wines and spirits and soft drinks £26.5m (£35.6m).

The UK beer market rose only marginally last year but Whitbread's ale and lager brands outperformed the industry, the chairman said. In addition the performance in the take-home trade was a record and trade through its own pubs was very buoyant.

The year was anticipated to be difficult for the US wines and spirits industry, but trade was even tougher than expected. Despite that the North American key brands gained market share.

Both the Californian wine interests were progressing well. Whitbread North America remained optimistic about its ability to continue to perform ahead of the market.

The chairman was also pleased with the results from the retail operations where profits improved by 24 per cent. Whitbread had invested heavily in retail outlets in the past few years and those would provide continuing growth.

Last year the company opened a total of 110 new outlets, mainly Beefeater restaurants, Pizza Huts and Thresher's shops. In addition it refurbished 320 managed houses and improved 350 tenanted. That investment programme would continue over the next few years.

The years' profit was struck after net interest payable £33.3m (£40.5m). After tax £48.7m (£36.9m), share ownership scheme £2m (£1.5m), minorities £1.5m (£0.5m), and extraordinary credits £1m (£1.6m), the attributable profit came to £107.7m (£99.5m).

Earnings were 28.61p (24.89p) basic and 28.27p (24.5p) fully diluted. The final dividend is 6.4p for a net total of 8.9p, against 7.8p.

Arlington calls for £52m to expand

BY STEVEN BUTLER

Arlington Securities, the fast-growing property developer specialising in business parks, yesterday announced a £52.4m one-for-two rights issue, along with the exchange of contracts for the purchase from Electricity Supply Nominees of the Aztec West Business Park, near Bristol, for £53m cash.

The rights issue comes just weeks after Mr Robert Maxwell sold his 16 per cent stake in Arlington to the Kuwaiti Investment Office (KIO). The KIO and Electra Investment Trust, which holds 5.4 per cent of the company, have indicated intentions to take up their entitlements under the issue.

Up to 26.35m new ordinary shares will be issued at 210p each. Arlington's shares yesterday fell by 7p to close at 243p.

Net proceeds of the rights issue would be used to finance the purchase of the site. An additional £8m would be used for further development of Aztec West, while the remaining £11.4m is to be working capital for the company's continued expansion.

At the end of 1986, the group's existing capital base stood at £25.7m, with total development costs of the partnerships in which the group was an equity partner, at £108.8m. The company said the additional funds raised would enable it to borrow funds more easily without recourse to financial partnerships.

Forty-three acres of the 157-acre Aztec West site have been developed, with a current annual rental income of approximately £1.6m. Planning consent has been obtained for development of a further 80 acres.

Arlington's shares were originally floated on the market in May 1986, at an offer price of 118p.

CRAMPHORN (USM-quoted garden centre operator): Pre-tax profits £84,542 (£22,270) on turnover of £6.87m (£6.31m) for six months to January 3 1987. Interim dividend 2.5p (1.667p), partly to reduce disparity. Earnings 3.77p (1.15p) per share after tax of £30,000 (£6,000).

Terry Dodsworth on the future of a leading British manufacturer

GEC moving through the gears

THERE IS nothing like a good corporate story, laced with a hint of radical change and featuring a strong personality, to capture the attention of the City. And what better for such an optimistic tale than Lord Weinstock's General Electric Company, short on fresh initiatives for many a year, yet boasting Britain's most celebrated industrialist at the helm?

In the last few weeks, it has been impossible to miss the buzz of the City's newly-aggressive sales teams disbursing a bullish new line on GEC. Add a touch of takeover speculation and investors have had a potent brew to digest: until the rumour was officially denied yesterday, the punters were backing a suggestion that Lord Hanson, Britain's premier predator, might be stalking the group.

The result has been one of the most vertiginous rises in GEC's share price in recent years. Until the shares dropped back on Hanson Trust's statement yesterday, they had registered a 30 per cent increase from just under 200p at the beginning of this month to over 240p, puttin gthe stock back close to its all-time nominal high of five years ago.

At least half a dozen of the big City investment houses have come up with positive re-appraisals of GEC since early May. County Securities, for example, produced a note which suggested that there were "some encouraging signs that GEC ma ybe prepared to make important changes."

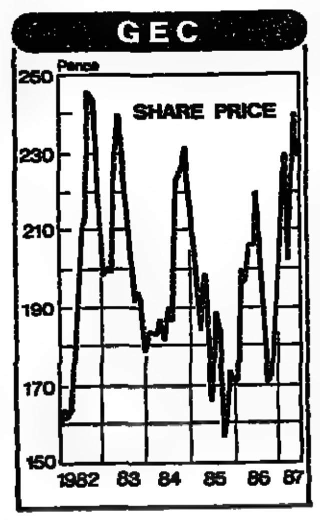
Prudential-Bache, in a more sweepingly optimistic review, said that the last five years had seen a transformation of the company's technology and market base," and stressed that relations with the Government, adrift for over a year, were being repaired.

And Kleinwort Grieveson added that there was "now a more adventurous spirit at GEC."

There is little doubt that analysts producing these reports have found a number of sympathetic listeners among institutional shareholders. Many fund managers seem to feel that the stock was due for a re-rating, putting it in the 220p to 250p pricerange, because the price had slipped too much on the downside.

But what is the evidence that a new GEC is now beginning to emerge from the last five lack-lustre years? How far has it recovered from the culminating embarrassment of last year's two heavy setbacks—the Monopolies Commission rejection of its bid for Plessey, and the loss of the Ministry of Defence contract for the Nimrod airborn early warning system?

Lord Weinstock, managing director of GEC



First is a flurry of small take-overs in the last few weeks which suggest that GEC is beginning to aim again for non-organic growth by spending some of its notorious cash mountain.

Three deals have been announced in the space of about two months, and executives are promising more. None of them is lar~e, but they suggest that if GEC cannot land one big prize with a knockout blow, it will follow a more patient approach of smaller transactions and collaborative agreements to reinforce its present business spread.

They include a new joint venture with Philips of the Neth-lands in the medical diagnostic equipment field, a deal that will involve the expenditure of between £150m and £200m; a £6m agreement to buy into Berkel, the Dutch weighing machine company, in a move which will make GEC's Avery division one of the largest in this field in the world; and another £16m on Micro Scope, a software company which will complement the video text activities of the group's computer division.

Second, there is a suggestion that GEC may make a significant investment in the US avionics industry, a business sector which still inspries enthusiasm in London despite the recent checks in American defence spending.

In particular, the UK company, along with other potential bidders, is looking at the aerospace activties of Lear Siegler, a rambling Californian group which was taken privately recently, and which is now selling off assets.

Third, some investors argue that most of the bad news about the grou pis out. In aprticular, they say, it ought not to suffer any more heavy set backs from Government spending departments, where its legendary touch has seemed to desert it over the last year or so.

Fourth, there are indications that GEC may be beginning to generate results from is attempts to disseminate technological information acorss the group and gain an additional edge in marketing by co-ordinating divisional activities.

This would respond to the criticism the company has achieved none of the benefits of integration that are generally seen to be at the root of the strength of the integrated Jaapnese electronics groups.

Finally, some analysts contend that Lord Weinstock, after a period of seeming jaded with the company, is now concentrating fully on the business again. Apart from operational issues, top management has certainly become more sensitive to the investment community, and strong hints of an improved dividend are in the air.

"If the company's weakness over the last five years has done nothing else, it has drawn its attention to the existence of shareholders," says one institutional holder.

This all adds up to a story of tantalising signals about the future rather than any clear evidence that the watershed has been passed in the company's performance.

No one, for example, is suggesting a totally radical change of direction of the sort that has been pushed through at General Electric, GEC's virtual namesake in the US, where Mr Jack Welch has ruthlessly pruned the consumer electronics manufacturing division and pushed into service areas.

Nor is the City convinced of a big profits rebound, although some analysts are forecasting earnings growth of between 10 and 15 per cent over the next two years — a few percentage points over the average expectation for industry.

On the takeover side, as well, *it is by no means clear that investors have much hope of any immediate gain.* Even though some investment bankers undoubtedly think that a successful bid could be engineered, many remain to be convinced.

"Because of GEC's size, it would be likely to be a leveraged bid, and the UK market does not take kindly to that," says the fund manager of one of the large UK institutions. "And where is the industrial logic? Who is going to manage that business better, when it has already been squeezed managerially to the ultimate degree?"

This response underscores both the widespread sympathy for the company which lingers on in some institutions, and the fact that the company's main backers are looking for steady, tightly-managed recovery, rather than fireworks.

Fund managers who were around in the 1970s have not lost their conviction that Lord Weinstock remains among the best managers in Britain. Younger investors, after the last five years of under-performance, are understandably less sanguine and impatient for change.

But a little solid earnings growth would undoubtedly do wonders for the conviction of the faithful—such as, for example, the fund manager who, over a period of 25 years, has made a net cash investment in GEC of only £6m by trading in and out of the stock at the right time, and is now sitting on shares valued at £90m.

Avon shares jump as profits double

BY ALICE RAWSTHORN

Avon Rubber, the tyres and industrial polymers group, yesterday watched its share price surge by 31p to 610p when interim profits surpassed the City's expectations by doubling from £2.38m to £5.36m.

In the 1980s, Avon has staged a remarkable recovery by steering itself out of losses, through a series of cuts and re-direction towards specialist tyres and industrial polymers. Mr Tony Mitchard, chief executive, described the half year as "another important stage in Avon's development."

During the six months to April 4, Avon's turnover rose modestly to £103.8m (£101.66m), but the continuing businesses sported underlying growth of 15 per cent.

Operating profits increased to £8.16m (£5.69m) and profits from related companies to £240,000 (£239,000). Depreciation was depressed by the divestment of Avon Lippiatt Hobbs to £1.82m (£1.96m).

Industrial polymers emerged as the largest contributor to profits. Its performance was boosted by contributions from new defence contracts and sales to Pakistan and Kuwait. Mr Mitchard said these orders would not be repeated in the second half, but that he had "high hopes" of repetition next year. Avon is now considering acquisitions in the US and France.

The tyres division benefitted from reorientation towards niche areas of the market. The refurbishment of the Motorway group has begun. Avon is refurbishing 50 of its 200 units and expanding the services provided by the rest.

Inflatables progressed because of improved sales and productivity.

The proceeds of the rights issue, together with higher profits, reduced interest payable to £1.23m (£1.58m). The company has now exhausted its tax credits and taxation rose to £1.72m (£270,000). Nonetheless, earnings per share rose to 22.8p (14p) and the board proposes a dividend of 3p (2.5p).

Avon's "efficiency" programme is on schedule, the cost is an extraordinary item of £2.26m (£935,000). Buoyant demand has enabled the company to save 150 of its proposed job cuts.

Mr Mitchard said that he was "confident" about the prospects for the full financial year.

● **comment**

Avon Rubber looks like the paradigm of a recovery stock. Years of stringent cuts and a switch from the mass market into clearly defined niches read like a text book formula for industrial recovery. It is only since the start of the year that the City has realised the extent of Avon's revival. The share price has raced ahead and, luckily for shareholders, profits have followed suit. With £11m in prospect for the present year, even a return to the ranks of the tax payers will not dampen earnings per share growth. The shares now command a prospective p/e of 13. But the full benefits of the efficiency programme have yet to come to fruition, there is lots of potential for new polymers contracts, even Motorway offers scope for margins growth. Notwithstanding the recent rise . . . the shares have further to go.

Expansion for Granyte Coatings

From little changed turnover of £12.59m (£12.48m) in the year ended February 27 1987, Granyte Surface Coatings increased its pre-tax profit by 13.5 per cent, from £1.26m to £1.43m. The dividend is lifted from 2.1p to 2.5p net with a final of 1.6p.

The group, which is quoted on the USM, makes and sells surface coatings. The directors reported that order book for the first quarter of the current year was healthy and they were confident of another satisfactory year.

They had granted a manufacturing licence to a Scandinavian manufacturer for the range of joinery products.

They were also examining the possibility of a joint venture on the continental mainland with a company operating within the EEC, where the market for Granyte's products was five times that of the UK.

The company was also developing a new range of products for which it had sole UK manufacturing rights.

In the longer term the directors said they would like to see the company developed into a more broadly based specialist surface coatings group.

Henry Barrett valued at £14m

BY RICHARD TOMKINS

Henry Barrett, a Bradford-based structural engineer and steel stockholder, is coming to the stock market through a placing which will value the group at £13.88m.

N. M. Rothschild, merchant bank, is placing 5.64m shares, representing 31 per cent of the enlarged equity, at 77p each. Broker to the issue is Panmure Gordon.

Barrett has three divisions. One designs and builds steel-framed buildings for industry and commerce, another processes and distributes steel, and the third makes a multi-purpose hook bolt used in steel buildings, called the Lindapter.

The steel buildings operation has developed a speciality in design-and-build services for edge-of-town retail developments, and also builds distribution warehouses.

Barrett is a family business dating back to 1866. It is headed by the great-grandson of the founder and there are four Barretts on the board.

Several of the directors — including two of the younger Barretts — are new to the board, and the company says much of its recent profits growth is attributable to this influx of more professional management.

The prospectus shows pre-tax profits rising from £96,000 in 1982 to £1.36m in the year to last August, and the company is forecasting at least £1.75m for the current year. The prospective price/earnings ratio is 12.2 and the notional gross dividend yield is 5 per cent.

Of the shares being sold, 1.6m are coming from existing shareholders and 4.04m are new shares being sold by the company. Proceeds to the company will help repay borrowings incurred in making recent acquisitions.

Leeds Group up 44% midterm

EXCELLENT progress from all divisions and a contribution from an acquisition enabled Leeds Group to lift its pre-tax profit by 44 per cent, from £1.06m to £1.52m, in the half year ended March 31 1987.

This was achieved on a 40 per cent increase in turnover to £9.86m (£7m). Walsden Printing Company, specialising in woven and knitted fabric, was included for four months.

The interim dividend is lifted from 2.25p to 2.7p net. There is to be a one-for-five scrip issue and the directors intend to maintain the final on the higher capital.

The wider sphere of production enabled the company to concentrate on those areas which experienced strongest demand, and the outlook for the second half continued to be promising, the directors claimed.

Walsden was producing results up to best expectations and a major capital expenditure programme was being implemented to increase printing capacity and improve efficiency. After that further development would be made in the dyeing division.

Non-textile activities continued to grow strongly and investment was planned in Leeds Leasing over the next 12 months.

Earnings for the half year worked through at 12.9p (9p) after tax charged of £981,000 (£671,000).

Tunstall up 19% and set for more growth

Tunstall Group, maker of emergency communications equipment and burglar alarms, produced a 19 per cent improvement in pre-tax profits for the six months to March 31 last to £2.76m on turnover slightly ahead from £12.1m to £12.9m.

Mr Michael Dawson, chairman, said another period of growth had set the company on course for greatly improved full year results.

Tunstall Telecom had again taken full advantage of its continuing investment in product development, he said, and Piper Compact, Lifeline and Network Controller had increased sales, with a further 24 control centres being installed in the first half of the year.

New products to be introduced should further enhance the company's market lead, and the board expected significant growth from its export markets.

Tunstall Lifeline results were encouraging, and the division was now strong enough to stand in its own right. Its headquarters were being established at Clevedon, with new senior management in place and the sales force being expanded.

Tunstall Security had emerged as a market force and beginning to realise expectations, he said. New management, new products and an expanded sales team were all in place, and the recently released digital communicator and three zone panel were already in great demand.

The recent acquisition of Ademco gave the company a direct channel of distribution to customers, an entry into the fire alarm market, an expanded product range and opportunities for rationalisation.

Net interest receivable rose from £7,000 to £131,000. After higher tax of £1.12m (£934,000), earnings per share rose from 8.8p to 10.3p. Directors declared an interim dividend of 1p, compared with 0.8p last time.

● **comment**

When the two Davids launched the Alliance manifesto on Monday, alarm bells began ringing all over Tunstall. Last year the company spent more than £500,000 advertising its Lifeline emergency warning system to the southern portion of the 6m elderly living on their own in the UK. And now not only have the boys in yellow used the product name for the heading of the section on the elderly, they have as good as promised to provide one in every home. This scale of marketing success may still be some time off but with its competitors—Modern Alarms and Scantronic among others—slow to move in, Tunstall is looking to rapidly build up the rental stream from this area. At the moment about 500,000 people are covered by the company's established alarm products, enabling the care and maintenance side to become a significant contributor. For the full year £6m could just be possible, which puts the shares at 335p on a prospective multiple of 17—surely too far above the electronics sector's average for investor comfort.

Reliant reduces halfway loss to £29,000

Reliant Motor, vehicle manufacturer, has reduced its pretax loss for the six months to March 31 from £195,000 to £29,000 and expects to show a profit in the second half of 1987.

Mr John Nash, chairman, said the company was in talks about possible diversification, and was expected to resume dividend payments in 1988.

The group's fall in turnover was attributable to the completion of the Ford RS 200 rally car programme, he said. The transfer of Reliant's spare parts operation to Unipart had been completed, and benefits should show through in the second half.

The Similar depended on the North American market for its ultimate success, said Mr Nash. A new subsidiary, the Scimitar Motor Company, will be formed and sold with the necessary finance to develop the car.

Turnover fell from £7.75m to £6.63m. There was again no tax charge, and the loss per share worked out at 0.5p, compared with 3.5p last time.

Parker Pen returns to profit at £14.3m and seeks listing

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

PARKER PEN, the company bought by management from its US parent last year, has been brought back into profit and is to seek a London Stock Exchange listing.

The company turned in pre-tax profits of £14.29m for the 12 months to February 28, compared with a £300,000 loss in the previous year, on turnover up from £115m to £128.7m.

Mr Jacques Margry, chief executive, said Parker had been turned round, and was waiting for "the most advantageous" time for flotation.

A listing would fulfil a commitment to the investors which backed the buy-out, he said. Lazard Brothers, the merchant bank, and stockbrokers Cazenove have been appointed advisers.

The most striking improvement was made in the US, where an operating loss of $9.1m in 1986 was turned into a profit of $1.2m. Sales rose 10 per cent during the year.

Group headquarters was moved from the US to Newhaven in Sussex at the time of the buy-out, resulting in a reduction of staff from 140 to 26. The US workforce has also been reduced, and new working practices have been accepted.

Marketing policy has been changed to move the brand back up-market in the US. Mr Margry claimed Parker was now out-selling Sheaffer, its nearest US rival, although Cross was still dominant in the quality pen trade. Sales of the Parker Classic range, which competes directly with Cross, increased 15 per cent last year, he said.

"We have got a viable business in the US, and that's where we see the blue sky for expansion."

Sales in Latin America, from factories in Brazil, Argentina, Mexico and Colombia, rose from £14.8m to £19m, and provided the group with dividends of £1.3m—the first profits from the region for several years.

Turnover in Europe rose 15 per cent in sterling terms, resulting in a £7m increase in operating income. The only setback during the year was the failure of negotiations to take over Watermans, Parker's leading competitor in France. Parker recently sold its 12 per cent stake in the French company to Gillette, which now owns the brand.

Parker produces about 50m pens a year, mostly in Sussex. It claims brand leadership in the £1bn-a-year world market for instruments costing more than £2.

Last year £2-£3 pens accounted for 65 per cent of unit sales, and 40 per cent of sales by value.

The $100m buy-out, signed in February, 1986, followed five years of poor results. With almost three-quarters of its sales overseas and the dollar relatively strong, Parker's profits had suffered on translation into US currency.

The brand also waned in its home market as the former management neglected its quality criteria and tried to compete against imports of cheap, throwaway pens.

After the buy-out the former parent was renamed Manpower to reflect its main remaining interest in temporary help agencies.

Hartwell over £6m after strong second half

Improved second half trading, with pre-tax profits up by £600,000 to £3.8m, enabled Hartwell to achieve a record £6.12m in the year to end-February compared with a previous £5.71m.

The company improved turnover for the period from £266.14m to £272.38m, with a higher £228.83m (£212.91m) from vehicle distribution and a lower £43.75m (£53.34m) from the heating services side.

Hartwell's property income for the year amounted to £356,000 compared with £281,000. This reflected the phased completion of developments referred to in previous statements.

Mr Frank Stockford Huggins, chairman, said the result, set as it was against a background of competitive trading and internal disruption caused by the company's ongoing property redevelopment programme, was encouraging.

The directors are recommending an increased final dividend of 2.12p (1.77p), making a total for the year of 3p (2.65p). This will be paid from lower earnings of 6.7p (7.9p) per share. The directors are also proposing a one for three scrip issue.

Looking ahead the chairman said the company was well placed for the coming financial year with good profits achieved in March and April.

He added that the change in the company's name from Hartwells Group together with the new corporate livery and logo were the start of a drive to improve the company's corporate identity and unify its activities.

UK COMPANY NEWS

Coloroll confident after 66% increase to £10m

A RISE of 66 per cent to £10.33m in pre-tax profits reported by Coloroll Group, the fast expanding manufacturer of wallcoverings, household textiles and ceramics, for the year to March 31 1987. This is well in line with market expectations.

Mr John Ashcroft, chairman and chief executive, said 1988 should be another year of significant progress.

He said the acquisition of Crown House—not included in the past year's results—was now unconditional, and assimilation of the tableware division was proceeding rapidly.

The company already had a number of companies interested in acquiring the engineering division and expected to dispose of it in the coming months.

Currently, group turnover on a proforma basis was now almost £450m.

Many of the changes in 1987 were brought about by acquisitions, notably Staffordshire Potteries, Fogarty and in the US; Wallco. All the companies acquired had been completely integrated into company's home fashion divisional structure.

Major capital expenditure projects had been authorised for each acquisition, and several were already substantially under way.

Commenting on the progress of the various divisions, Mr Ashcroft said that Wallcoverings UK sales increased by 48 per cent reflecting the Worley *acquisition for a full year* (three months in the preceding year), as well as strong underlying sales growth. Profits increased by a satisfactory 27 per cent.

John Ashcroft, chairman and chief executive of Coloroll

Home furnishing sales and profits substantially more than doubled and included the business of Drew for 10 months, and Fogarty for two months. Both businesses were fully integrated and significant margin improvements were being achieved.

In ceramics, rationalisation of the acquisitions of Biltons, Staffordshire Potteries and Cartwright and Edwards was now complete. Significant profitability improvements had been attained, with good prospects for the future.

Sales of wallcoverings in the US increased by 28 per cent in dollar terms (21 per cent in sterling), reflecting continued strong growth in new products and the inclusion of Wallmates for a full year compared with 11 months.

Packaging sales increased by 5 per cent and the division again achieved very satisfactory profit margins while in retailing, the opening of the new flagship store in London's Regent Street had been exceptionally well received, although results were adversely affected by start-up costs.

Sales in Australia increased notwithstanding a serious warehouse fire early in the year.

Total sales last year rose from £80.83m to £115.23m; tax charged was £3.61m (£2.4m) and minorities took nil (£193,000), as did extraordinary costs (£242,000 in 1985-86).

Earnings per share were up from 13.4p (restated) to 16.5p and the dividend is raised from 5p to 5.75p with a proposed final of 3.45p (3p).

See Lex

Parkland Textile advances by 28%

Parkland Textile (Holdings) raised its pre-tax profit by 28 per cent in the year ended February 27 1987, from £1.22m to £1.57m, gaining substantial benefit from reduced borrowings.

The group, manufacturer of woollen yarn, worsted cloth and clothing, produced a turnover of £53.4m (£54.3m).

A highlight of the year, said Mr Barry Spencer, chairman, was a £2.4m reduction in borrowings to £8m by February 27, *largely brought about* by substantial stock reductions. Interest charges were cut from £955,000 to £891,000.

The worsted weaving yarn business of Smith Bulmer was sold as it needed substantial capital investment. The yarn production was retained and would be developed to maintain the group's "fast flow" capabilities, Mr Spencer said.

As to the current year he disclosed that all sections were operating at higher levels than last year. He was confident that the year would show substantially improved results.

In clothing, development costs in men's trousers and womenswear companies held back the division from making the return on assets expected.

RHM marginally above forecast

BY NIKKI TAIT

Ranks Hovis McDougall, the flour milling and baking group which last month won a £281m contested bid for Welsh food group Avana, yesterday unveiled a 31.5 per cent increase in half-year profits at £52.9m before tax.

Ranks said the improvement was spread across all continuing businesses, adding that a strong start had been made in the second half. "I would expect the year as a whole to be another satisfactory one," says chairman Sir Peter Reynolds. The first half profit figure is marginally above the level predicted by RHM during the Avana bid, but the interim dividend—25 per cent higher at *2.65p—is exactly as forecast.*

The Avana acquisition was completed six weeks into the current half, so has no bearing on the figures. Yesterday, commenting on the acquisition, Ranks said it was "basically pleased" with what it had found so far. The Welsh company is still being run as a separate entity, with main board director, Mr Tim Howden, taking charge and Avana's former chairman, Dr John Randall, still assisting in the transitional period. Ranks added yesterday that no decision has yet been taken over Avana's previous plan to open a £28m food park at Dragonparc, Merthyr Tydfil.

At the trading level, profits *rose from £45.8m to £57.6m on sales of £742.3m (£698.2m).* The largest advance was seen in the milling and bread baking division, which contributed £19.9m (£15.3m), helped by the launch of a number of new products. Elsewhere, there was steady growth in groceries (up 14.4 per cent to £10.3m) and a £1.8m addition from the general foods side, to £6.2m

● comment

Having forecast £52.5m in the course of its Avana bid, Ranks can hardly have expected—and certainly did not engender—much surprise in response to yesterday's figures. All eyes, however, are now on the Goodman Fielder stake, which has *been built back up to 15 per* cent since the Avana merger (with New Zealand group, Fletcher Challenge, holding another 4.5 per cent.) RHM can probably give thanks to the New Zealand authorities who have blocked the Goodman - Wattie merger, forcing Goodman into an appeal and at least delaying the expansion of its asset base. One suggestion amongst analysts is that Goodman might consider some deal with RHM in return for "sanatising" its stake. But if profits, including four and a half months of Avana, reach £110-£115m this year, the prospective PE with the shares down 4p at 317p is around 14—and that does not look exces*sive, all things considered.*

Reduced home markets hit Irish Distillers

A CONTRACTION in the home market adversely affected profits at Dublin-based Irish Distillers Group in the six months to March 31 1987, and the pretax figures were down from I£7.67m to I£5.73m.

Turnover was down from *£134.49m (which included* ten months' trading of United Drug) to £117.81m.

Apart from the smaller home market, Mr Joseph McCabe, the chairman, said reduced Cooler shipments to Australia, and weaker sterling and dollar exchange rates, also contributed to the lower profits.

He said the decline in consumption in spirits in its home market, evident in the second half of last year, had continued, leading to a fall of 6 per cent in duty payments in the opening half.

Exports, other than to the US, were up, and its European markets, in particular, performed well and responded to the marketing investment being made.

West Coast Cooler continued to be brand leader in the Australian market. Sales there, however, were static rather than increased, and a necessary inventory adjustment by the group's franchises gave rise to a consequent sharp reduction of shipments in the period. Shipments will resume during the second half, but at a lower level than in the same period of 1986.

Mr McCabe said he expected the group to make positive progress in the second half but, in the prevailing circumstances, it would be unwise to make a prediction of the outcome for the full year. The reduction in domestic interest rates since the Budget, and the recent strengthening of sterling will have a favourable effect, he added.

The interim dividend is unchanged at 2p. Stated earnings per 25p share were down from 9.33p to 7.11p.

Acatos & Hutcheson interim profits up 73% to £6.3m

THE OPTIMISM of Mr Ian Hutcheson, chairman of Acatos & Hutcheson, in his last annual report is borne out by the half-year results to March 29, 1987, with pre-tax profits showing a rise of 73 per cent from £3.63m to £6.26m. The shares closed 23p higher at 382p.

In yesterday's interim statement Mr Hutcheson anticipated full year results in line with the improvement *shown over* the past six months. He said that due to lower raw material prices—the group's principal activities are processing and marketing of edible oil products—turnover, expressed in cash terms, had declined but volume turnover had increased materially.

The company was continuing to examine further potential acquisitions in the UK and had also formed a subsidiary holding company in Spain which provided a suitable platform for the development core activities in that area.

The decline in turnover for the period was from £106.49m to £97.95m; operating profit was up from £4.89m to £6.71m while net interest payable was down sharply to £447,000 from £1.26m. Tax took £2.29m (£1.37m) leaving earnings per share to emerge at 13.1p (8.6p) for the dividend which is raised 50 per cent to 3p.

● comment

The progress of Acatos & Hutcheson's price since the company's flotation at 160p last August makes Rolls-Royce's debut look positively pedestrian: yesterday A&H's shares bucked the sinking market and put on another 50p to 409p as the 73 per cent interim profits increase triggered an all-round up-grading of full-year forecasts. The market in A&H is so tight that it does not take many fans to put the price up, but even so, the disbelief that dogged the company's flotation is rapidly being dissipated by the performance. The advance is being led by the consolidation of acquisitions and through greater production efficiency, so enabling A&H to increase volume through the seizure of market share. This process will continue into next year, when the new plant at Orchard Place will also allow the group to throw 50,000 tonnes of margarine a year at the importers' 20 per cent share of the market. With £12m in sight this year, the prospective p/e of 16 is already looking into 1988, but it may yet prove conservative unless exchange rates swing violently out of A&H's favour.

COMMODITIES AND AGRICULTURE

Stefan Wagstyl on the Grace/Berisford merger plan

Cocoa industry under pressure

THE ANNOUNCEMENT of a possible merger of the cocoa-processing interests of W. G. Grace, the US conglomerate, and S. & W. Berisford, the British commodity trader, is the latest and most important sign of the financial pressures on the industry.

A union between the two companies, which would create the biggest cocoa-processing group in the Western world, would be the largest example so far of the consolidation which is taking place in a fragmented industry.

The impact on the industry would almost certainly be greater than the effect on either Grace or Berisford, which emphasise that talks are at an early stage. Each has serious difficulties of its own and cocoa-processing is a relatively small contributor to each company's profits.

Cocoa-processing companies grind cocoa beans and separate them into cocoa butter, for chocolate making, and cocoa powder, which is used in chocolate drinks, ice-cream and sweets.

The market is dominated by the international chocolate companies, led by Mars and Hershey of the US, Nestle of Switzerland, and Cadbury Schweppes of the UK which do some cocoa-grinding themselves and buy the rest of their needs from the independent processors.

The processors have to perform a tricky balancing act. They buy cocoa beans from producers, mainly in West Africa, in a commodity market where prices are volatile. But they must sell their products in a market where prices move around less abruptly. As a result, profit margins can vary wildly from one year to the next.

It is therefore hardly surprising that several processing companies are owned by commodity trading companies which are active in the futures markets, buying and selling cocoa to try to square their books and cover their own in-house stocks.

Berisford is a prime example of a trade-cum-processor.

Life has been difficult in the 1980s for the processors. First, cocoa consumption has been growing only modestly. Gill & Duffus, a London trader, estimates that 1.823m tonnes were ground last year, compared with an average of 1.44m in the 10 years to 1975. But there has been no shortage of grinding capacity because several producing countries have invested in plants.

The producers' share of grindings has risen from 21 per cent in 1966-75 to 32 per cent last year, mainly at the expense of US processors. Western Europe, particularly the Netherlands and West Germany, has maintained a strong position with 37 per cent of last year's output.

Meanwhile, dull prices have hit commodity traders after the boom of the late 1970s. Lower trading profits, and in some cases losses, have made some groups think again about the wisdom of processing. Berisford is again a prime example of a company which has suffered.

Finally, and most importantly, the independent processors have been squeezed by the growth of the chocolate companies which have been able to wring better and better terms from their suppliers.

Merger after merger has transformed the once-fragmented chocolate industry. Hershey's purchase of Nabisco's Canadian chocolate interests is a recent example, as is the acquisition of the Belgian company Cote d'Or by Jacob Suchard of Switzerland.

The chocolate companies have also turned on the independent processors—Suchard has bought van Houten, of Holland, and has bought a stake in E D and F Man, the London trader.

In this context, a merger between Grace's and Berisford's interests, bringing together 180,000 tonnes of grinding capacity, would be an important defensive move.

Berisford, which saw profits rise 180 per cent to £148m pretax in the year to last September, tried and failed to sell British Sugar, its refining company, for £425m to Ferruzzi, the Italian food company, when the Government blocked the bid. There is constant speculation in the City about how Berisford might deal with its £600m debt, more than 40 per cent bigger than shareholders' funds. Associated British Foods, which bought a 23.7 per cent stake in Berisford from Ferruzzi, might well influence the group's future.

Grace is in the throes of selling businesses in retail, restaurants and agricultural chemicals, which account for almost half its turnover, in order to concentrate on specialty chemicals, and resources. The group lost $375m last year as a result of charges arising from this drastic restructuring.

EC farm price talks suspended

By Tim Dickson in Brussels

EC AGRICULTURE Ministers last night suspended their crucial farm price talks until Sunday, though without much sign that any of the major issues are close to being resolved.

Three days of negotiations in Brussels have yielded progress on some of the less substantial items but West German opposition to all ideas to change the system of "green" currencies and monetary compensatory amounts remains strong while Britain, Holland and the Germans are among those continuing to block the Commission's controversial proposal for an oils and fats tax.

West Germany and Ireland are deeply unhappy about a Belgian Presidency plan to limit the intervention system for cereals (although it would freeze, rather than cut prices). Diplomats say, however, that a sufficient majority of member states may be ready to agree this part of the package.

Observers were holding out some hope that today's Franco-German summit in Paris might just provide an opportunity for forging a workable compromise on agri-monetary reform. Meanwhile, Mr Paul de Keersmaker, Belgium's Farm Minister and chairman of the Farm Council, says he will be consulting with the European Commission over the next couple of days and will produce a new paper on Sunday in a bid to break the deadlock.

Tea agreement

SRI LANKA will back an Indian proposal to seek an international tea agreement at next month's Food and Agriculture Organisation meeting in Rome, industry officials said, reports Reuter from Colombo.

A Tea Board official said the agreement will aim at ensuring that only quality teas are sold on world markets.

US 'leverage' trade studied

BY NANCY DUNNE IN WASHINGTON

RISING PRICES of metals futures, spurred by inflation fears, may spill over into increasing business for US off-exchange dealers in "leverage contracts," according to Miss Susan Phillips, chairman of the Commodity Futures Trading Commission. Leverage contracts allow investors to buy or sell commodities long-term against small down payments.

In a briefing on the CFTC's current activities, Miss Phillips said the Commission, the statutory watchdog, and the National Futures Association, the industry's self-regulatory body, have distributed a questionnaire to determine the number of firms interested in entering the leverage business.

The survey, mandated by Congress, has been mailed to futures commission merchants, brokers which are also securities broker-dealers, some banks and metals companies. The CFTC will compile the results over the summer.

The three US leverage firms still in business sell long-term contracts (10 years or longer) for gold, silver or platinum. They appeal to many investors because the contracts can be paid on a monthly instalment plan. However, because many metals dealers have in the past been accused of fraud, the Commission tried to get Congress to ban leverage dealing.

Congress refused and instead required that leverage dealing be regulated by the Commission. Currently leverage dealers are required to register with the Commission and are subject to minimum financial, disclosure, record-keeping and reporting requirements.

Miss Phillips said the Commission will start overseeing the exchanges new audit trails systems on July 1. Although the exchanges complained vociferously when the Commission required closer tracking of trades, implimentation has been "smoother than expected," Miss Phillips said, thanks to the co-operation of many member firms.

Peru tightening state grip on metal trade

THE PERUVIAN Government is to give Minpeco, the state marketing company, the option to substitute for buyers in future metals concentrates contracts. The measure, published in the official gazette, will come into effect once regulations establishing the mechanism are issued by the Ministry of Energy and Mines. Traders expect the regulations to appear within the next two weeks.

Most mining companies have already committed the bulk of their production and do not expect to be signing new contracts before August or September. However, they are unhappy over the move, which appears to return metal marketing to the state monopoly of the 1970s.

Tokyo market to reduce dealing fees

By Yoko Shibata in Tokyo

THE TOKYO Commodity Exchange has decided to lower fixed "per-deal" fees for precious metals, cotton yarn and woollen yarn.

The decision, made at a Board meeting on Tuesday, calls for reducing the fee for gold from Y300 to Y150 per deal, for silver from Y100 to Y45, for platinum from Y150 to Y75 and for both cotton yarn and woollen yarn Y150 to Y120, effective from April 1 1987.

The fee for rubber trading will be raised from Y60 to Y90 from June 1 1987.

The exchange sets its budget for the financial year started last month, at Y1,408m ($10m), compared with the previous year's Y1,386.6m ($9.90m). It expects the number of contracts concluded at the exchange will average 20,100 a day.

The exchange will raise the number of trading members in its precious metal and rubber divisions from the present 49 and 35, respectively. But it has yet to fix the specific figures for the increase.

WEEKLY METALS

All prices supplied by Metal Bulletin (last wek's prices in brackets).

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,420-2,460 (2,400-2,450).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.95-3.08 (2.90-3.05).

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots 1.55-1.65 (1.55-1.62), sticks, 1.55-1.65 (1.55-1.62).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.60-6.95 (6.50-6.55).

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 268-278 (270-280).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.95-3.05 (3.02-3.08).

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.20-5.65 (5.00-5.35).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 49-55 (50-55).

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, other sources, $ per lb V_2O_5, cif, 2.55-2.60 (same).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00 (16.75).

Mauritania's fresh focus on fishing

BY PETER BLACKBURN, RECENTLY IN NOUADHIBOU

THE DESERT covered West African state of Mauritania, which has one of the world's richest fishing grounds off its shores, last month adopted a long term fisheries strategy aimed at conserving resources, increasing local added value and promoting small-scale fishing.

Mauritania's fishing industry has developed rapidly since the Government implemented a new fisheries policy six years ago. Fish exports have now overtaken iron ore to become the country's main export earner and were worth about $278m in 1986.

The new policy has sought to integrate foreign fishing fleets into the local economy and reduce the amount of illegal fishing. Mauritanian-controlled joint ventures have gradually replaced the former fishing licence system. Joint ventures have been set up with Arab, Eastern bloc and Scandinavian countries.

"Previously only foreign ships fished deep sea. Now there are nearly 140 Mauritanian fishing vessels," said Dr Ahmed Mahmoud, the secretary-general at the Fisheries and Maritime Economy Ministry.

The creation of the state-owned Societe Mauritanienne de Commercialisation du Poisson (SMCP) in 1984 with a monopoly of exporting high value demersal (bottom-feeding) fish and crustacea has helped to improve government revenue and provide a secure market for small-scale operations.

SMCP exported 60,000 tonnes of fish products worth $153m in 1986. The main market was Japan which accounted for 75 per cent of the total value.

Prospects for 1987 are highly promising with the value of exports up by 50 per cent during the first quarter, according to SMCP's export manager, Mr Sidi Mahamed Aghailass.

The value of small-scale fishermen's catches is expected to quadruple to $20m in 1987. So far they have failed to benefit fully from the rapid growth of the industry. There are about 2,400 such fishermen but their annual catch totals only some 10,000 tonnes.

The development of small-scale fishing would provide major benefits in terms of jobs and income and the Government has now decided to correct the imbalance, Dr Cherif said.

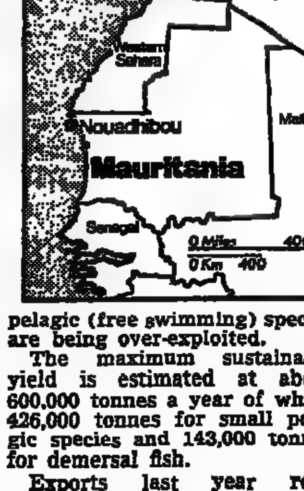
About $110m has been invested in the development of the local fisheries industry since 1980. But investment has been "incoherent" with excess onshore freezing and processing capacity, according to Dr Cherif. The high cost of electricity and other onshore services also make it difficult for local fish processors to be competitive.

The situation is aggravated by the fact that many modern trawlers are able to process, store and tranship their catches at sea.

Ship maintenance, repair and supply services are either expensive or inadequate at Nouadhibour and most vessels use Las Palmas, in the Canary Islands, as their base.

Net foreign exchange earnings are greatly reduced by offshore payments for ship maintenance, fuel, equipment and wages. All ships' officers and 70 per cent of the crews are foreigners.

The rapid development of the fishing industry has caused concern that demersal and small



pelagic (free swimming) species are being over-exploited.

The maximum sustainable yield is estimated at about 600,000 tonnes a year of which 426,000 tonnes for small pelagic species and 143,000 tonnes for demersal fish.

Exports last year rose sharply to 390,000 tonnes but this does not include fish transhipped at sea or what experts describe as a "substantial" amount of illegal catches.

With emphasis now being placed on the need to conserve fish resources and prices not expected to rise much further the main way to increase earnings was to develop local added value and to reduce hard currency payments for fisheries services, Dr Cherif said.

The new Government strategy seeks to correct imbalances in fisheries policy and define long-term aims, he explained. There are two main objectives:

- The protection and conservation of fish resources taking account of the need to amortise investments in trawlers and onshore freezing and processing facilities.

No new fishing licences or charter agreements will be granted to foreign vessels for bottom fishing and existing ones will not be renewed. Pelagic fishing agreements with the Soviet Union, Rumania, Iraq, East Germany and Nigeria are not affected however.

Authorisation for Mauritanians to buy deep-sea fishing vessels will be strictly controlled so as to prevent further increase in surplus capacity.

Fisheries surveillance will be increased by the purchase of a 45 metre trawler and a small spotter plane. Trawlers are considered more effective than naval patrol vessels because they are less conspicuous and are able to stay out at sea for much longer periods.

- Increased local added value: The Government recently approved a study carried out by the UK's crown agents which identified eight investment projects costing up to $60m

They include a ship repair yard, development of small-scale fishing through construction of a boat building workshop at Nouadhibou and beach landing centres along the coast as well as training programmes.

Aid donors have agreed to finance feasibility studies which should be completed by the end of 1987 so that a donors meeting can be held early next year.

Tomorrow Peter Blackburn looks at Mauritania's iron ore industry.

LONDON MARKETS

COCOA PRICES yesterday edged below the level at which the International Cocoa Organisation's buffer stock manager is required to begin support buying. The "must buy" area begins when the organisation's 15-day average indicator price reaches 1,600 special drawing rights a tonne and at last night's close it was calculated at 1,599.30 SDRs. London futures market prices ended the day at one-year lows with the July position quoted at £1,255.50 a tonne, down £13 on the day. Dealers said the market was "dispirited" by the fact that the buffer stock manager had only bought 4,000 tonnes of second-hand cocoa under discretionary buying powers which took effect this week under the renegotiated agreement. Sterling's strength against the dollar provided further bearish pressure. In the coffee market renewed concern about the availability of good quality Brazilian coffee prompted a sharp price rally which left the July future position £30 up on the day at £1,361 a tonne. Dealers said there was technically inspired covering against speculative "short" positions, reflecting "constructive" chart signals.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

[illegible]

DOW JONES

[illegible]

MAIN PRICE CHANGES

[illegible]

ALUMINIUM

[illegible]

COPPER

[illegible]

LEAD

[illegible]

NICKEL

[illegible]

ZINC

[illegible]

TIN

KUALA LUMPUR TIN MARKET: Close 16.69 (16.66) ringgit per kg. Up 0.01 ringgit per kg.

GOLD

Gold rose 50¢ to $475-475½ on the London bullion market yesterday, falling back from the 4½-year high of $482½-483¼ touched in the morning on news of the large loss by Citicorp. The metal retreated on profit taking and selling from the Middle East and Switzerland. It opened at $481¾-482¼ and was fixed at $479.35 in the morning and $476.25 in the afternoon, falling to a low of $473-474.

[illegible]

SILVER

Silver was fixed 14.75p an ounce higher for spot delivery in the London bullion market yesterday at 555.5p. US cent equivalents of the fixing levels were: spot 885c, up 30c; three-month 895.7c, up 31.45c; six-month 905.4c, up 33.1c; and 12-month 930.06c, up 34.35c. The metal opened at 550-556p (945-950c) and closed at 541-545p (913-918c).

[illegible]

LME—Turnover 1 (0) lots of 10,000 ounces.

Three months high/low 567p, final kerb 550-5p.

RUBBER

PHYSICALS — The London market opened steadier, attracted little interest at the higher levels and closed uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 63.00p (same); June 62.75p (same); July 62.25p (same). The Kuala Lumpur fob price (Malaysian/Singapore cents) per kg: RSS No 1 208.0 (206.0); SMR 20 206.0 (208.0).

FUTURES—Index 582. June 588-591, July 588-591, July/Sept 588-591. Sales: Nil.

COFFEE

The market traded quietly within the recent range. Jobbers were content to sell into the rallies as origin coffee looms overhead, covering their short positions some £20-£30 lower. Physical activity remained quiet with sporadic price-fixing adding light support.

[illegible]

Sales: 3,266 (3,108) lots of 5 tonnes. ICO indicator prices (US cents per pound) for May 19: Comp. daily 1979 112.26 (113.67); 15-day average 111.41 (111.25).

COCOA

In spite of being due to open about unchanged futures again encountered selling and ended the day at new life-of-contract lows. Producers continued to offer in the forward positions but consumers were lacking, reports Gill and Duffus.

[illegible]

Sales: 3,676 (3,122) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for May 20: 1586.31 (1605.04); 10-day average for May 21: 1598.30 (1609.17).

FREIGHT FUTURES

Despite a drop of 6.6 points on the BFI the market remained firm throughout the day. The steady physical market was seen as the reason for higher futures prices with talk of Gulf/Japan for late July being fixed at $18.00, reports Clarkson Wolff.

[illegible]

Turnover: 381 (407).

GRAINS

Old crop wheat eased gradually on merchant long liquidation. There was a similar trend on barley. New crops eased again on general book-squaring, reflecting uneasiness over the outcome of EC farm price talks, reports T. G. Roddick.

[illegible]

LONDON GRAINS—Wheat: US dark northern spring and hard red winter prices were quoted. English feed fob; barley, English feed fob and maize were quoted.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 105.00, N. East 107.00. The UK monetary coefficient for the week beginning Monday May 25 is expected to be 1.000.

POTATOES

The market continued quiet, trading in a limited range in thin volume and recovering towards the close to finish near the highs, reports Coley and Harper.

[illegible]

Sales: 213 (287) lots of 40 tonnes.

SOYABEAN MEAL

The trading range was narrow. There was good underlying commercial support, especially for new crop, reports Muirpace.

[illegible]

Sales: 284 (482) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $170.50 (£105.00), up $1.50 (down £1.00) a tonne for June-July delivery. White sugar $193.50, up $2.00.

[illegible]

Tate & Lyle delivery price for granulated basis sugar was £209.50 (£210.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for May 19: Daily price 6.86 (6.88); 15-day average 6.82 (same).

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle, Sheep and Pigs.

FUTURES—Live cattle: June 99.00, sales 5.

HEAVY FUEL OIL

[illegible]

Turnover: 5 (6) lots of 100 tonnes.

US MARKETS

AFTER OPENING higher, as expected, the precious metals fell on a combination of trade selling and mixed profit-taking, reports Drexel Burnham Lambert. A firming of the US dollar influenced the decline. Stops were touched off on the way down but gold, silver and platinum futures all closed with pared losses as trade support emerged to prompt short-covering late in the day. Copper traded erratically, closing lower on balance following trade and fund selling around the highs and commission house buying at the lows. Bearishly interpreted API statistics prompted trade selling and general long-liquidation in crude oil futures to depress values before trade support at the lows held the market. Commission house, speculative and arbitrage selling in cocoa futures eased prices in the face of scale-down trade and manufacturer buying which prompted short-covering as the market closed off the lows. Coffee futures also fell on commission house buying, steadying back on short-covering. In sugar futures early trade selling overcame commission house buying to take the market to the lows where the trade turned buyer in the face of commission house liquidation. The grains and the soyabean complex were kept under pressure.

NEW YORK

[illegible]

CHICAGO

[illegible]

SPOT PRICES: Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 910.0 (887.0) cents per troy ounce. New York tin 318-23 (318-22) cents per pound.

OIL

Despite bullish API statistics Brent prices fell steadily all day but picked up about 10c in the close. July WTI opened 11c down at Nymex and traded 20c down at 1.30 pm EDT. Petroleum products prices fell as a result of improving supplies and in technical reaction to the strength of Nymex on Tuesday—Petroleum Argus, London.

[illegible]

GAS OIL FUTURES

[illegible]

Turnover: 3,194 (1,595) lots of 100 tonnes.

Jamaican bauxite output up 20%

JAMAICA'S BAUXITE output in the first quarter of this year totalled 1.8m tonnes, 20 per cent more than the corresponding period of last year, according to the Jamaica Bauxite Institute, a state agency which monitors the industry, writes Canute James in Kingston.

Shipments of raw ore in the first three months of this year were 844,000 tonnes, 41 per cent up on the first quarter of last year, while alumina (refined bauxite) shipments grew by 8 per cent to 382,000 tonnes.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Citicorp loss hits dollar

THE DOLLAR weakened on news from Citicorp, the largest US banking group, of a $2.5bn second quarter loss, as a result of losses on third world loans, and an increase of $3bn in its loan loss reserves.

The market was confused about the implications of the Citicorp loss, as any flight to quality might prove an advantage for US Government debt, but the initial reaction in New York on Tuesday was to mark down the dollar and bond prices.

Treasury bond prices fell, and the yield on long bonds rose above the psychological level of 9 per cent, to the highest point for over 15 months.

Dealers were reluctant to put further heavy pressure on the dollar, for fear of central bank intervention, as the US currency hovered close to its recent record lows, but continued to regard the dollar's future prospects as bleak.

The news from Citicorp made a rise in the US discount rate less likely, because of the problems created for third world debtor nations. Dealers had previously been divided about the prospect of a rise in the discount rate, as the dollar looked in need of support, but the depressed US economy suggested the US Administration was unlikely to welcome a move to stifle any fragile recovery.

Late short covering pushed the dollar up towards the day's highs, and the market was also surprised by the move from the Federal Reserve to drain reserves from the New York banking system.

The dollar finished weaker overall at DM 1.7745, compared with DM 1.7780; at FFr 5.9350 against FFr 5.9475; at SFr 1.4540 compared with SFr 1.4580; and at Y139.80 against Y140.00.

On Bank of England figures the dollar's index fell to 99.7 from 100.0

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. April average 1.6316. Exchange rate index fell 0.1 to 73.7, compared with 67.6 six months ago.

The pound closed little changed against the dollar, but lost ground to other major currencies. Sterling was generally on the sidelines, as attention focused on the dollar, but finished on a soft note, as the market became nervous about possible erosion of support for the Conservative Party in the run up to next month's general election.

The pound rose 5 points to $1.6830-1.6840, and fell to DM 2.9875 from DM 2.9925; to FFr 9.9925 from FFr 10.0100; to SFr 2.4475 from SFr 2.4550; and to Y235.25 from Y235.50.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7680. April average 1.8112. Exchange rate index 147.7 against 142.8 six months ago.

The D-Mark improved against the dollar in Frankfurt, as a result of the news from Citibank about its second quarter loss.

The West German Bundesbank did not intervene when the dollar was fixed at DM 1.7897, compared with DM 1.7827 on Tuesday, the lowest level since May 5. Earlier in the day the Bank of Japan bought dollars against the D-Mark in Tokyo, but it was not clear whether the Japanese central bank was acting for the Bundesbank.

The dollar closed at DM 1.7685, compared with DM 1.7780 previously.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. April average 142.86. Exchange rate index 225.6 against 205.3 six months ago.

Dealers in Tokyo were reported to be concerned that news of Citicorp's second quarter loss would lead to selling of the dollar in overseas centres, but Japanese financial institutions remained nervous of putting downward pressure on the US currency, because of the recent request from the Japanese Finance Ministry not to speculate against the dollar.

The dollar weakened slightly against the yen in Tokyo, closing at Y139.50, compared with Y140.05 on Tuesday.

£ IN NEW YORK

May 20	Close	Previous Close
£ Spot	1.6830-1.6840	1.6865-1.6875
1 month	0.16-0.15 pm	0.17-0.16 pm
3 months	0.39-0.36 pm	0.43-0.41 pm
12 months	1.00-0.95 pm	0.95-0.90 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	May 20	Previous
8.30 am	73.8	73.7
9.00 am	73.8	73.7
10.00 am	73.8	73.7
11.00 am	73.8	73.7
Noon	73.8	73.7
1.00 pm	73.8	73.7
2.00 pm	73.8	73.8
3.00 pm	73.8	73.8
4.00 pm	73.7	73.8

CURRENCY RATES

May 20	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for May 19: 1.75217

CURRENCY MOVEMENTS

May 20	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

May 20	£	$
[illegible]	[illegible]	[illegible]
Kuwait	0.46020-0.46070	0.27290-0.27300
Luxembourg	61.90-62.00	36.75-36.85
Malaysia	4.1595-4.1690	2.4670-2.4685
Mexico	2080.75-2103.25	1234.00-1246.00
N. Zealand	2.9020-2.9095	1.7225-1.7265
Saudi Ar.	6.3235-6.3290	3.7495-3.7505
Singapore	3.5650-3.5740	2.1145-2.1155
S. Af. (Cm)	3.3415-3.3600	1.9840-1.9880
S. Af. (Fn)	5.2700-5.3540	3.1250-3.1745
Taiwan	54.10-54.35	32.10-32.20
U.A.E.	6.1835-6.1890	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	4.0117	+1.30	+0.64	±1.5344
Danish Krone	7.85212	7.80677	−0.58	−1.24	±1.6404
German D-Mark	2.05853	2.07555	+0.83	+0.17	±1.0981
French Franc	6.90403	6.94665	+0.62	−0.04	±1.3674
Dutch Guilder	2.31943	2.33875	+0.83	+0.17	±1.5012
Irish Punt	0.768411	0.775047	+0.86	+0.20	±1.6684
Italian Lira	1483.58	1504.91	+1.44	+1.26	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

May 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6810-1.6900	1.6830-1.6840	0.19-0.16c pm	1.25	0.42-0.37 pm	0.94
Canada	2.2640-2.2759	2.2650-2.2660	0.11-0.01c pm	0.32	0.02 pm-0.11 dis	−0.08
Netherlands	3.35¾-3.37	3.36-3.37	1-¾c pm	3.12	3-2¾ pm	3.42
Belgium	61.70-62.00	61.90-62.00	11-4c pm	1.45	30-19 pm	1.58
Denmark	11.20½-11.25¾	11.23¾-11.24¾	1⅞-2⅝ore dis	−2.00	3⅝-4⅛ dis	1.45
Ireland	1.1131-1.1188	1.1145-1.1155	0.15-0.24p dis	−2.10	0.39-0.63 dis	−1.83
W. Germany	2.98¼-2.99¾	2.98¾-2.99¾	1⅞-1¼pf pm	5.02	3⅞-3⅝ pm	4.94
Portugal	232.62-234.43	232.65-233.60	104-158c dis	−6.75	367-456 dis	−7.06
Spain	208.40-209.44	208.40-208.70	98-151c dis	−7.16	364-462 dis	7.92
Italy	2158-2169	2162-2163	2-4 lire dis	−1.66	6-11 dis	−1.57
Norway	11.07-11.12½	11.08½-11.09½	5¾-6⅞ ore dis	−6.15	16¼-17 dis	−5.97
France	9.97½-10.00¼	9.98¾-9.99¾	¼pm-¼c dis	—	1par-¼pm	0.15
Sweden	10.44¾-10.49	10.46¾-10.47¾	1-1½ ore dis	−1.50	3⅞-4½ pm	1.55
Japan	234¼-236	234¾-235¾	1-⅞ y pm	4.46	3-2¾ pm	4.89
Austria	20.92-21.03	20.92-20.95	8¼-7⅞ gro pm	4.51	23⅝-21½ pm	4.29
Switzerland	2.44-2.45½	2.44¾-2.45¾	1¼-1 c pm	5.52	3-2¾ pm	4.70

Belgian rate is for convertible francs. Financial franc 62.00-62.10. Six-month forward dollar 0.62-0.57 c pm. 12-month 0.80-0.70c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

May 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6810-1.6900	1.6830-1.6840	0.19-0.16c pm	1.25	0.42-0.37 pm	0.94
Ireland†	1.5085-1.5143	1.5085-1.5095	0.52-0.47c pm	3.93	1.22-1.12 pm	3.09
Canada	1.3438-1.3479	1.3460-1.3470	0.09-0.12c dis	−0.94	0.33-0.36 dis	−1.02
Netherlands	1.9915-2.0010	1.9990-2.0000	0.39-0.35c pm	2.25	1.29-1.24pm	2.54
Belgium	36.60-36.85	36.75-36.85	3pm-Par	0.49	9-4 pm	0.71
Denmark	6.64½-6.67¼	6.67¼-6.67¾	0.90-1.60ore dis	−2.25	3.00-3.70 dis	−2.01
W. Germany	1.7670-1.7750	1.7740-1.7750	1.15-1.11pf pm	7.67	1.83-1.78pm	4.08
Portugal	137¼-138¾	138-138¾	75-105c dis	−7.83	250-300 dis	−7.98
Spain	123.78-124.05	123.90-124.00	60-110c dis	−8.22	230-280 dis	−8.22
Italy	1279-1285	1284¼-1284¾	2.50-3.00lire dis	−2.57	7.00-9.00dis	−2.49
Norway	6.57¼-6.59	6.58½-6.59	3.50-4.00ore dis	−6.84	10.85-11.35dis	−6.75
France	5.91-5.93¾	5.93¼-5.93¾	0.40-0.60c dis	−1.01	0.95-1.30 dis	−0.76
Sweden	6.19¾-6.22¾	6.21¾-6.22¼	0.97-1.27ore dis	−2.17	3.20-3.50 dis	−2.13
Japan	139.30-139.95	139.75-139.85	0.43-0.39yen pm	3.52	1.42-1.37 pm	4.00
Austria	12.42½-12.45¾	12.45-12.45½	3.60-3.20gro pm	3.28	11.00-10.00pm	3.37
Switzerland	1.4475-1.4550	1.4535-1.4545	0.55-0.50c pm	4.34	1.42-1.37 pm	3.85

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 36.80-36.90

EURO-CURRENCY INTEREST RATES

May 20	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: [illegible]

EXCHANGE CROSS RATES

May 20	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000; French Fr per 10; Lira per 1,000; Belgian Fr per 100.

FINANCIAL FUTURES

Gilts and bonds weak

GILT FUTURES lost ground in the London International Financial Futures Exchange yesterday, partly on opinion poll fears but mainly as a result of a sharp drop in US bond prices. This followed an announcement by Citicorp of a large loss in the second quarter and an addition to its loan loss reserves. The write-off was larger than anything before and brought into sharp focus US banks' considerable exposure to third world debt.

Rumours that an opinion poll due to be released today would show a narrowing of the gap between the Conservative and Labour parties tended to undermine confidence although traders seemed resigned to coping with a rather choppy three weeks as prices react to the latest opinion poll.

The June price opened at 125-31 down from 126-18 on Tuesday and fell to a low of 125-22 before closing at 125-26.

The June price for US Treasury bills slumped to a low of 88-30 from 89-17 at Tuesday's close but recovered some ground to finish at 87-22 compared with an opening level of 87-11.

Trading in three-month sterling deposits was relatively subdued with volume split between the June and September contracts.

UK money supply figures were generally well received. While the rise in M3 of 1¾-2 per cent was ignored, a modest increase in bank lending was seen as good news. However, this failed to stop prices finishing slightly weaker on the day with sentiment not helped by a slightly firmer tone in cash rates. The June price opened at 91.35 down from 91.38 on Tuesday night and touched a low of 91.22 before closing at 91.23.

LIFFE LONG GILT FUTURES OPTIONS: [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS: [illegible]

LIFFE FT-SE 100 INDEX FUTURES OPTIONS: [illegible]

LIFFE £/$ OPTIONS £25,000 (cents per £1): [illegible]

LONDON SE £/$ OPTIONS £12,500 (cents per £1): [illegible]

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1): [illegible]

LIFFE—EURODOLLAR OPTIONS $1m points of 100%: [illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%: [illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100%: [illegible]

THREE-MONTH STERLING £500,000 points of 100%: [illegible]

FT-SE 100 INDEX £25 per full index point: [illegible]

THREE-MONTH EURODOLLAR $1m points of 100%: [illegible]

U.S. TREASURY BONDS 8% $100,000 32nds of 100%: [illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE): [illegible]

IMM—STERLING Se per £: [illegible]

LIFFE—STERLING £25,000 $ per £: [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%: [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%: [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr: [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100: [illegible]

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	0.7173
[illegible]	[illegible]	[illegible]	[illegible]	0.7242
[illegible]	[illegible]	[illegible]	[illegible]	0.7320
[illegible]	[illegible]	[illegible]	[illegible]	0.7404
[illegible]	[illegible]	[illegible]	[illegible]	0.7494

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	0.5655
[illegible]	[illegible]	[illegible]	[illegible]	0.5712
[illegible]	[illegible]	[illegible]	[illegible]	0.5773
[illegible]	[illegible]	[illegible]	[illegible]	0.5843

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	92.32
[illegible]	[illegible]	[illegible]	[illegible]	91.67
[illegible]	[illegible]	[illegible]	[illegible]	91.22
[illegible]	[illegible]	[illegible]	[illegible]	90.95
[illegible]	[illegible]	[illegible]	[illegible]	90.76
[illegible]	[illegible]	[illegible]	[illegible]	90.60
[illegible]	[illegible]	[illegible]	[illegible]	90.45
[illegible]	[illegible]	[illegible]	[illegible]	90.31

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	279.10
[illegible]	[illegible]	[illegible]	[illegible]	281.20
[illegible]	[illegible]	[illegible]	[illegible]	283.40
[illegible]	[illegible]	[illegible]	[illegible]	285.40

MONEY MARKETS

UK rates steady but nervous

INTEREST RATES showed little overall change in the London money market yesterday. Short term rates remained easy, reflecting the effect of central bank intervention in currency markets in order to keep the pound from improving too much, while longer term rates edged up a sixteenth of a point where changed. Market attention remained fixed on election news and suggestions that the latest opinion poll would give the Conservatives a reduced lead tended to add to any upward impetus.

UK clearing bank base lending rate 9 per cent since May 8

Three-month interbank money was quoted at a wide 8¾-8⅝ per cent against 8¾-8⅝ per cent. Overnight money started 8⅝-8½ per cent and moved up to 8¾ per cent before touching a low of 4 per cent. However, late balances were taken as high as 8 per cent.

The Bank of England forecast a shortage of around £100m with factors affecting the market including the repayment of any late assistance and bills maturing in official hands together with a take up of Treasury bills draining £410m and a rise in the note circulation of £140m. These were partly offset by Exchequer transactions which added £315m and banks' balances brought forward £155m above target.

The forecast was revised to a shortage of around £150m but there was no intervention by the Bank during the morning.

In the afternoon there was a further revision to the forecast, this time to a shortage of around £50m and the Bank gave assistance through outright purchases of £7m of Treasury bills and £43m of eligible bank bills all in band 1 at 8⅞ per cent.

In Brussels the Belgian National Bank cut its discount rate to 7¾ per cent from 8 per cent. This followed Monday's reduction in short term Treasury bill rates, generally regarded as a precursor to a discount rate cut. At the same time the Bank also reduced its secured loan rate to 8 per cent from 8¼ per cent.

Yesterday's cut was the second this year since the rate was increased to protect the Belgian franc just before January's realignment of EMS parities.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 20) 3 months U.S. dollars: [illegible] 6 months U.S. dollars: [illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime): [illegible]

May 20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

May 20	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): [illegible]

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 20 1987					TUESDAY MAY 19 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	140.95	+1.9	124.13	129.56	2.99	138.26	121.80	127.53	140.95	99.92	89.05
Austria (16)	89.71	−0.2	79.01	82.49	2.26	89.87	79.17	83.33	101.62	89.69	87.07
Belgium (47)	117.76	−0.4	103.70	107.01	4.42	118.19	104.12	107.99	123.62	96.19	81.30
Canada (131)	126.43	−1.5	111.34	123.27	2.46	128.32	113.04	124.56	136.17	100.00	99.39
Denmark (39)	117.49	−0.7	103.47	106.67	2.57	118.27	104.19	107.49	124.10	98.18	97.93
France (122)	113.57	−2.6	100.02	105.73	2.63	116.66	102.77	108.83	121.82	98.39	90.72
West Germany (90)	91.47	−1.1	80.55	84.39	2.20	92.48	81.47	85.49	100.33	84.00	81.20
Hong Kong (45)	109.07	+0.1	96.05	109.27	3.02	108.94	95.97	109.14	114.71	96.89	71.46
Ireland (14)	129.22	−0.9	113.80	120.66	3.59	130.40	114.87	122.08	131.86	99.50	86.57
Italy (76)	101.52	+1.2	89.41	97.39	1.69	100.33	88.39	96.66	112.11	94.76	103.47
Japan (458)	149.89	−3.3	132.00	132.46	0.50	154.98	136.52	137.15	161.32	100.00	72.58
Malaysia (36)	164.71	+0.7	145.05	156.54	2.42	163.50	144.03	155.62	164.71	98.24	67.58
Mexico (14)	175.62	+2.3	154.66	238.09	0.92	171.63	151.19	232.12	197.27	99.72	50.77
Netherland (38)	117.68	−2.1	103.63	107.39	4.12	120.14	105.84	109.66	120.14	99.65	84.65
New Zealand (27)	92.23	+2.2	81.27	84.50	3.20	90.26	79.52	82.75	100.59	93.93	64.55
Norway (24)	139.86	+0.9	123.17	125.05	2.01	138.59	122.09	124.34	139.86	100.00	90.25
Singapore (27)	136.46	+0.7	120.17	133.00	1.77	135.48	119.35	132.17	136.46	99.29	60.19
South Africa (61)	181.03	+3.6	159.43	124.63	3.12	174.78	153.97	123.26	125.74	100.00	86.24
Spain (43)	114.25	+1.0	100.61	107.28	3.78	113.14	99.66	105.79	121.31	100.00	84.03
Sweden (33)	112.62	−1.7	99.18	103.70	2.22	114.56	100.92	105.61	124.68	90.85	86.99
Switzerland (51)	95.27	−1.9	83.90	85.88	1.99	97.12	85.55	87.79	104.06	93.26	83.62
United Kingdom (338)	146.27	−1.6	128.81	128.81	3.23	148.66	130.96	130.96	148.66	99.65	97.04
USA (596)	113.85	−0.5	100.26	113.85	3.18	114.41	100.78	114.41	124.06	100.00	98.87
Europe (931)	119.83	−1.3	105.52	108.51	2.90	121.42	106.96	110.15	121.61	99.78	90.96
Pacific Basin (627)	148.04	−3.0	130.37	131.45	0.65	152.61	134.44	135.73	158.30	100.00	73.04
Euro—Pacific (1618)	136.79	−2.4	120.47	122.29	1.44	140.18	123.48	125.52	143.22	100.00	80.11
North America (727)	114.52	−0.5	100.85	114.38	3.14	115.14	101.43	114.98	124.60	100.00	96.90
World Ex. US (1824)	136.92	−2.3	120.58	129.08	1.50	140.15	123.46	129.75	143.09	100.00	80.83
World Ex. UK (2082)	126.10	−1.7	111.05	118.47	1.95	128.26	112.99	120.64	133.33	100.00	87.04
World Ex. So. Af. (2359)	127.56	−1.7	112.34	119.36	2.07	129.80	114.34	121.56	133.85	100.00	87.90
World Ex. Japan (1962)	117.46	−0.7	103.44	112.95	3.05	118.26	104.18	113.83	121.81	100.00	95.21
The World Index (2420)	127.90	−1.7	112.64	119.44	2.08	130.09	114.59	121.61	134.11	100.00	87.89

Base values, Dec 31, 1986 = 100

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 39,358

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

FT CROSSWORD PUZZLE No. 6,3322

DANTE

ACROSS

1 Contest for comedians? (6,2,4)
10 Takes cover (7)
11 Laundry-bay (3,4)
12 Acquires a twisted snare (5)
13 Merry monarch's rule for our salad days (8)
15 The preserve of the motorist? (7,3)
16 Some private tuition for the benefit of the sempstress (4)
18 Brave man, he has heart of iron (4)
20 It is inclined to give emphasis (6,4)
22 Wrong clue man's giving for US representative (3,5)
24 See, I go round a house up North (5)
26 Saving Grace (7)
27 Do they have piercing eyes? Just the opposite! (7)
28 How an actor gradually gains experience? (5,2,5)

DOWN

2 A number leave one country for another (7)
3 Leaves the road and stops (5,3)
4 Set a new course perhaps (4)
5 Within the scope of a plumber (10)
6 She was ruined by Ernie (5)
7 New cartels in the red? (7)
8 Goes to the dogs? (5,2,6)
9 America's highest office building (3,5,5)
14 A smart point of view in a tight corner? (5,5)
17 Mishap caused by stress—I'd go into it (8)
19 Registers the best performances (7)
21 Noel's blazer (4—3)
23 Tea break about six—good show! (5)
25 Grudging admiration (4)

Solution To Puzzle No. 6,331

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8211

High Inc	302.6	321.9	-0.9	4.56
(Accum Units)	374.2	398.0	-1.2	4.56
UK Growth	383.9	408.4	+0.1	2.02
(Accum Units)	407.8	433.8	+0.1	2.02

MLA Unit Trust Management
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 674751

MLA Gen. Tst	44.4	47.0	-0.4	1.59
MLA Income Trust	59.5	62.8	-0.2	3.58
MLA Int	61.3	64.9	-1.2	0.81
MLA Gilt Unit Tst	25.9	26.7	+0.1	9.73
MLA European Trust	33.4	35.4	-0.3	0.70
MLA American Tst	26.2	27.7	-0.7	0.90
MLA Emerging Mkts. Tst	24.0	25.4	-0.2	0.70

ManuLife Management Ltd
St George's Way, Stevenage 0438 356101

Gilt & Fxd Int	122.1	126.4	—	4.93
Growth Units	109.6	116.5	—	2.33
High Income Units	152.9	162.5	—	3.63
High Yielding Gilt Uts	61.6	63.8	—	8.45
Intl Growth Unit Tst	153.9	163.6	—	0.19
UK Smaller Cos.	124.5	132.5	—	1.42
North American	77.4	82.3	—	0.36
Far East	136.4	144.9	—	0.02
European	—	50.0	—	—

Mayflower Management Co Ltd
No. 1 London Bridge, London, SE1 9QU 01-378 7000

Income May 18	329.0	350.0	—	3.39
General May 5	259.1	275.7	—	1.77
International May 5	150.3	159.9	—	0.66
Global Inc Fd May 5	48.5	51.6	—	3.13

Medical Investments Limited
4 Sandys Row, London E1 7HW. 01-247 1167/8/9

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	297.9	318.0	-0.6	.99
Income	241.5	257.2	-4.5	3.46
Worldwide Recovery	164.3	175.4	-3.6	1.66
American Growth	69.0	73.7	-1.9	.94
Intl. Emerging Cos.	92.1	98.4	-1.2	.70
Far East Growth Fd.	101.4	108.5	-3.1	.69
European Growth Fd	62.2	66.4	-0.9	1.06

Prolific Unit Trust Managers Limited.
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc	56.5	60.5	—	3.87
Prolific C'vert & Gilt	125.2	133.2	—	4.35
Prolific Euro Golden	51.2	54.8	—	2.67
Prolific Extra Inc	127.1	136.3	—	3.36
Prolific Far East	214.0	229.1	—	—
Prolific High Inc	86.0	91.6	—	5.14
Prolific Intl	147.9	157.4	—	0.18
Prolific N. Amer.	126.5	135.5	—	—
Prolific Spec. Sits	106.7	113.6	—	0.65
Prolific Technology	145.5	155.7	—	—

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc	96.2	102.4	-2.5	—
Japan Acc	96.4	102.6	-2.6	—
Worldwide Inc	76.9	81.4	-0.6	1.09
Worldwide Acc	78.3	82.9	-0.6	1.09
European Tst Inc	91.4	97.3	+0.1	0.34
European Tst Acc	92.0	97.9	—	0.34
North American Inc	59.1	62.9	-1.8	1.39
North American Acc	59.8	63.7	-1.8	1.39
UK Equity Inc	86.7	92.3	-0.1	1.78
UK Equity Acc	90.6	96.4	-0.2	1.78
UK High Inc Eqty Inc	64.2	68.3	-0.8	4.47
UK High Inc Eqty Acc	65.4	69.6	-0.8	4.47
Hong Kong Trust	46.9	49.7	-0.4	0.35
Swiss Equities Trust	45.0	47.7	-0.2	1.90

[illegible]

INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

M & G Group—Contd.

Managed (Acc)	448.3	470.8	+0.6	—
PPP Fund (Cap)	320.9	337.1	-0.5	—
PPP Fund (Acc)	448.3	470.8	+0.6	—
Pacific (Cap)	262.3	275.5	+3.3	—
Pacific (Acc)	366.5	385.1	+0.6	—
Property (Cap)	132.2	138.9		—
Property (Acc)	184.6	194.0		—
Recovery (Cap)	212.5	223.2	+1.3	—
Recovery (Acc)	296.8	311.8	+1.8	—
UK Income (Cap)	120.1	126.2	+0.2	—
UK Income (Acc)	167.8	125.3	-0.6	—
Personal Pension (Acc)	—	1754.9	-C 7	

MGM Assurance
MGM House, Heene Rd, Worthing 0903 204631

UK Equity	232.1	244.4	-0.2	—
Do. Accum.	260.1	273.8	-0.1	—
Special Situations	210.0	221.1	+0.2	—
Do. Accum.	235.4	247.8	+0.2	—
North American	169.6	178.6	-4.5	—
Do. Accum	190.1	200.2	-4.5	—
Pacific Basin	[illegible]	329.0	-5.3	—
Do. Accum	350.3	368.8	-6.3	—
Fixed Interest	217.5	229.0	+0.1	—
Do. Accum	243.6	256.5	+0.1	—
Property	117.6	125.8		—
Do. Accum	131.7	138.7		—
Deposit	112.5	118.5	+0.1	—
Do. Accum	125.0	132.1		—
Managed	212.6	223.8	-1.1	—
Do. Accum.	239.2	251.8	-1.2	—
Bonus Gwth Fd Acc	0.0	0.0		—
Pension Funds				
Pensions Equity	253.3	266.7	-0.2	—
Do. Accum	307.2	323.4	-0.3	—
Pens. Spec. Sits.	234.9	247.3	+0.8	—
Do. Accum	285.0	300.1	+0.5	—
Pens. North American	178.0	187.4	-4.5	—
Do. Accum	215.9	227.3	-5.2	—
Pens. Pacific Basin	341.0	359.0	-8.3	—
Do. Accum	413.8	435.6	-10.0	—
Pens. Fixed Int.	228.3	240.4	+0.1	—
Do. Accum	277.0	291.6	+0.1	—
Pens. Property	118.6	124.9		—
Do. Accum	143.8	151.4		—
Pens. Deposit	119.8	126.2		—
Do. Accum	145.4	153.1	+0.1	—
Pens. Managed	233.4	245.7	-1.3	—

National Mutual of Australasia
Serpentine Rd, Poole, Dorset 0202 680666

Fixed Interest	136.34	143.51		—
Guaranteed Deposit	118.38	124.60		—
Managed	153.44	161.51		—
Property	132.75	146.05		—
UK Equities	189.56	199.53		0.41
Pens Fixed Interest	128.01	134.74		—
Pens Gtd Deposit	119.21	125.48		—
Pens International	202.07	212.70		—
Pens Managed	165.27	173.96		—
Pens Property	155.62	163.80		—
Pens UK Equities	169.70	178.63		—
International	185.36	195.11		—
Nth American Fund	151.06	159.00		—
Far East Pacific Fd	179.66	189.11		—
Japan Fund	259.82	273.49		—
European Fund	195.93	206.24		—

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

Managed	298.8	314.6	-2.2	—
UK Equity	398.1	419.1	-4.7	—
Overseas Eq.	281.6	296.5	-2.1	—
Americas	223.0	234.8	-6.6	—
Far East	332.6	350.2	-4.5	—
Property	137.3	144.6	-0.3	—
Fixed Int	212.8	224.0	+0.8	—
Indexed Gilt	118.8	125.1	-0.2	—
Deposit	132.9	139.9		—
Pension Fund Prices				
Man. Initial	312.4	328.9	-2.8	—
Man. Acc.	376.4	396.3	-3.2	—
UK Eq. Initial	400.6	421.7	-4.7	—
UK Eq.	471.2	496.0	-5.6	—
Overseas Eq. Initial	347.1	365.4	-4.7	—
Overseas Eq.	433.1	455.9	-0.6	—
Americas Initial	241.8	254.6	-6.8	—
Americas	288.8	304.0	-8.2	—
Far East Initial	463.8	487.2	-7.6	—
Far East	551.0	580.0	-9.0	—
Prop. Initial	130.6	137.3	-0.5	—
Prop.	155.6	163.8	-0.5	—
Fixed Int. Initial	191.9	202.1	+0.4	—
Fixed Int.	228.3	240.4	+0.4	—
Indexed Gilt Initial	108.2	113.9	-0.2	—
Indexed Gilt	127.3	134.1	-0.2	—
Deposit Initial	133.5	140.6		—

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd

Royal Heritage Life Assur.—Contd.

Skandia Life Assur.—Contd.

Target Life Assurance Co. Ltd.

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Norwich Union Asset Management Ltd

Norwich Union Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assrce (Life & Pensions)

Save & Prosper Group

Scottish Amicable Investments

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Musical Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Schroder Life Assurance Ltd

National Mutual Life

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Provident

Vanbrugh Pensions Limited

Windsor Life Assur. Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100¾	99¾	Treas. 10pc 1987	100¼xd	.....	9.99	8.88
99⅝	97¾	Treas 3pc 1987	99¾	.....	3.02	7.62
101¾	100¾	Treas. 12pc 1987	101½	–⅛	11.81	8.23
99¾	97¾	Treas 7¾pc 1985-88‡‡	99¾	.....	7.77	8.20
102¼	99¾	Exch 10½pc '88	101¾xd	–⅛	10.30	8.99
101¾	98¾	Treas 9¾pc Cv '88	101¼xd	–⅛	9.63	8.46
96⅞	93¾	Transport 3pc '78-88	96¾	–⅛	3.10	6.05
101⅝	98⅛	Treas. 9½pc '88	101¼	–⅛	9.38	8.50
105¾	101¾	Treas 11½pc 1989	104¾	–⅛	10.99	8.58
102¾	97¾	Treas 9½pc Cnv 1989	101¾	–⅛	9.35	8.56
94⅞	89¾	Treas 3pc 1989	94¾xd	.....	3.18	5.97
104⅝	99¾	Treas 10½pc 1989	103¼xd	–⅛	10.14	8.60
103¾	98½	Exch 10pc 1989	102¾	–⅛	9.74	.668
105¾	100⅝	Exch 11pc 1989	104¾	–⅛	10.49	8.62
95¾	89¾	Treas 5pc 1986-89	95¾	.....	5.24	7.04
108¾	100⅝	Exch 10¼pcCv '89	106¾xd	–⅛	9.58	7.10
111¾	105⅝	Treas 13pc 1990‡‡	109¾	–⅛	11.81	8.65
106½	100¾	Exch 11pc 1990‡‡	105¾	–⅛	10.42	8.66
110¾	104¾	Exch. 12½pc 1990	109¾	–⅛	11.41	8.62
91¾	84½	Treas. 3pc 1990	91¾xd	+⅛	3.27	6.12
100¾	93¾	Treas 8¼pc 1987-90‡‡	99¾xd	.....	8.27	8.32
105	97½	Treas. 10pcCv 1990	103¾	–⅛	9.62	8.61
89¾	81¾	Exch 2½pc 1990	89¾xd	–⅛	2.80	5.88
110½	103⅝	Treas 11¾pc 1991	109½	–⅛	10.74	8.67
95¾	87¾	Funding 5¾pc '87-91‡‡	95¾	–⅛	6.04	7.16
89¾	80¾	Treas. 3pc 1991	89¾xd	+⅛	3.37	6.17
110⅝	100¾	Treas 10pc Cv '91 ‡‡	107¾	–⅛	9.20	7.52
109⅝	101⅝	Exch. 11pc 1991	108¾	–¼	10.12	8.59
116¾	108¾	Treas 12¾pc 1992‡‡	115¾	–⅛	11.05	8.67
106¾	97¾	Treas 10pc 1992	105	–⅛	9.52	8.66
49½	47¾	Treas. 8pc 1992 ‡‡(50pd)	47¾	–⅛	8.15	8.47
108¾	99¾	Treas 10½pc Cv 1992‡‡	106¾	–⅛	9.80	8.69
		Five to Fifteen Years				
115⅞	106⅝	Exch. 12¼pc '92	113¾	–¼	10.72	8.80

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

FOREIGN BONDS & RAILS—Contd

1987 High	Low	Stock	Price £	+ or –	Div. % Gross	Red. Yield
45	42	Greek 7pc Ass.	42xd	.....	3.50	8.33
45	43	Do. 6pc 28 Stab. Ass.	44	.....	3	6.82
47	45	Do 4pc Mixed Ass.	47	.....	2	4.26
65	58	Hung. '24 Ass.	63xd		2.75	4.37
146½	122⅞	Hydro Quebec 15pc 2011	143¾xd	–⅛	15.00	10.11
92½	85	Iceland 6½pc '83-88	85	.....	—	—
136¼	115½	Do. 14½pc Ln. 2016	133⅞	–⅛	14.50	10.68
103½	94	Ireland 9¾pc '91-96	101⅞	–¼	9.75	9.50
98½	93	Japan 6% '83-88	94	.....	—	—

AMERICANS

1987 High	Low	Stock	Price £	+ or –	Div. Gross	C'vr	Y'ld Gr's
41¾	32⅞	Abbott Laboratories§	32⅞	–2¼	84c	—	1.6
17	11⅛	Ahmanson (H.F.)	11⅛	–⅛	88c	—	4.7
31	24⅝	Alcoa $1	29⅝	–½	$1.20	—	2.5
18⅞	15⅝	Allegheny & W $0.01	15⅝	–⅛	30c	—	1.2
14¾	8⅝	Amax $1	12½	–⅛	—	—	—
26¼	17¼	Amdahl 5c	20⅛	–1	20c	—	0.6
64	50⅞	Amer. Cyanamid $5	50⅞	–2¼	$1.90	—	2.3
25¾	18	Amer. Express $0.60	18½xd	+¼	$1.44	—	4.9
12¼	10	Amer. Medical Int. $1	10½	–¼	¢72c	—	4.2
17⅞	14¼	American T. & T. $1	14⅞	–⅛	$1.20	—	4.9

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30¾	22⅞	Sara Lee $1	22⅞xd	−⅛	$1.00	—	2.7
11	9½	Saul (B. F.) $1	9½	−⅛	20c	—	1.3
79	60¼	Southwestern Bell $1	60¼	−2¼	$6.96	—	7.1
17⅜	14½	Staley Continental	14½	......	80c	—	3.4
44	36⅜	Sun Co. Inc. $1	36½xd	−1⅜	$3.00	—	5.0
74	57⅞	TRW Inc. $1¼	58½xd	−1	$3.20	—	3.4
31	25⅞	Tenneco $5	27½xd	−1	$3.04	—	6.8
187½	149½	Do. 10pcLn.Stk. 91-5	182½xd	......	10%	—	5.6
26¼	17	Texaco $6.25	23⅝xd	−¼	$3.00	—	8.5
57⅛	47⅛	Time Inc. $1	50⅝	−1⅛	$1.00	—	1.2
14½	11	Tracor $0.33	11	−⅝	40c	—	2.2
24⅝	19	Transamerica $1	19xd	−⅛	$1.76	—	4.7
11	948p	Transworld Corp $5	948p	−5	20c	—	1.3
42¼	29¼	TRINOVA Corp.	37¼xd	−1½	$2.00	—	3.6
19⅝	15	♥USX $1	18¾	−⅛	$1.20	—	3.9
18¾	15	Union Carbide $1	16	−⅛	$1.50	—	5.4
35	26⅞	Utd. Technologies	27½xd	−⅛	$1.40	—	3.1
38⅝	27½	US West‡	27½	−1½	$3.28	—	7.3
33	26	♥Woolworth $3½	26⅞	−⅛	$1.32	—	3.0

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
23p	16p	♥Abbot Energy Corp.	17½p	−½	—	—	—
25½	10⅛	♥Amer. Barrick Res.	25	−½	—	—	—
955p	36p	Armeno	101p	−2	—	—	—
19⅝	14⅜	Bk. Montreal ‡	14⅝	−¼	$2.00	—	5.9
10½	764p	Bk. Nova Scot.‡	764p	−16	72c	—	4.1
20⅝	18	BCE ‡	18⅛	−¼	$2.40	—	5.7
960p	712p	♥Bow Valley‡	913p	−6	40c	—	1.9
19⅝	12⅝	♥Brascan‡	15⅝	−⅝	88c	—	2.4
609p	277p	♥Breakwater Res.	445p	−5	—	—	—
11⅝	896p	Can.Imp.Bk. $2	896pxd	−11	$1.08	—	5.2

BANKS, HP & LEASING

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

1987 High	1987 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
475	180	Abelscot Group 10p	390xd	..	3.5	2.7	1.2	41.9
35	28	Aberdeen Am Pet 10p	32	...	—	—	—	—
125	110	Allied Ins. Brokers	124xd	+1	L3.5	2.5	4.0	14.4
15	9	Ardmore Pet. 'A'	14	...	—	—	—	—
73	45	Catalyst Comms. 5p	70	–2	—	—	—	—
98	47	Corton Beach 10p	86	...	0.4	♦	0.6	♦
178	150	Crown Eyeglass 5p	177	....	—	—	—	—
208	102	Edenscrag Investment	208	+3		—	—	—
*62	30	Epimon Oil Ir.5p	35	...	—	—	—	—
41	17	Do Warrants	22	.....	—	—	—	—
46	17	Publishing Hldgs.5p	38	–1	—	—	—	22.0
58	45½	Theme Holdings	51		1.0	♦	2.7	♦
138	113	Unit Group	119	+4	R4.6	2.5	5.3	(8.5)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	78xd	......	Fin. 13% 97/02	£118¼	......
Craig & Rose £1	£16¼	......	Arnotts	345xd	+5
Finlay Pkg. 5p	86xd	+4	CPI Hldgs.	58	......
Holt (Jos) 25p	440xd	+2	Carrol Inds.	130	......
IoM Stm. £1	111	+2	Dublin Gas	18	......
			Hall (R. & H.)	99	......
IRISH			Helton Hldgs.	29	......
Fund 11¼% 1988	£100¾	......	Irish Ropes	165	....
Nat. 9¾% 84/89	£98¼	......	Unidare	395	+15

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
GEC	18	Brit Land	37
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
May 11	May 28	May 29	Jun 8
Jun 1	Jun 11	Jun 12	Jun 22
Jun 15	Jun 25	Jun 26	July 6

* New time dealings may take place from 9.00 am two business days earlier.

Successful Rolls-Royce debut stands out as banks lead equity sector downward

The confidence of the London stock market was sharply jolted yesterday by bearish developments on both the domestic and international fronts. Equities suffered substantial falls after the latest public opinion polls indicated a narrowing in the Government's lead, and Citicorp's $2.5bnThird World debt write-off sent bank shares plunging.

The FT-SE index quickly shed more than 40 points, and an attempted rally was blotted out when Wall Street moved erractically in early trade.

The market closed flat, with morale sagging afresh on hints that today's (Thursday) press will carry another poll less optimistic on the Government's electoral chances.

The FT-SE 100 index closed 40.3 down at 2174.0, and the FT Ordinary index, with less exposure to the banking sector, dwn 28.2 to 1690.8.

But, outside the financial sector, selling was not heavy, and the **Rolls-Royce** issue made a highlysuccessful debut. Nearly half the 834m newly issued Rolls-Royce shares were traded, and although the first traded price of 128½p, against the 85p partly paid issue price, dsappointed some investors, the shares moved up quickly to 145p, closing at 147p—a premium of 62p.

As expected, UK private investors sold Rolls-Royce shares but there was ready demand from the institutions, both domestic and foreign, with Japanese interest a feature.

The international stocks suffered heavy mark-downs as soon as the market opened and made little recovery. **Imperial Industries, Fisons, Jaguar** and the major oil stocks all closed with signficant falls.

But traders said that there was little foreign selling pressure and that some blue chips, among which Glaxo stod out, found buyers at lower levels.

Consumer and brewery issues, which led the market ahead earlier this week, were prominent in the list of yesterday's losses.

The Gilt-edged sector opened cautiously, despite the weakness of the US bond market and the dramatic news from Citicorp. But selling soon dried up and rices edged upwards to show small net gains at mid-session.

The rumours of another unhelpful opinion poll then took the heart out of Gilts, and prices turned downwards, closing with net falls of ½ in the high coupon long-dated issues. The market was steadying in the final minutes, helped by reports of international moves on the Argentine debt problems and of liquidity help by the Federal Reserve in the US debt markets.

The move by America's Citicorp to increase its loan loss reserves by $3bn and take a $2.5bn loan in its second quarter figures to reflect its exposure to third world sovereign debts sent a shock wave throughout the bank sector. Fears that the UK clearers would eventually follow Citicorp's move produced a heavy wave of mainly UK selling of the big four banks — recently the subject of big US overseas buying.

Midland, said to have the biggest exposure to foreign debt, slumped to 634p before picking up to close a net 46 off at 657p. Lloyds, rated as having the second biggest overseas debt liabilities, dropped to 524p but eventually closed 42 down on balance at 543p. Barclays, currently involved in a major placing of ADRs in the US and Japan, closed 19 lower at 559p and NatWest gave up 18 to 685p.

BZW Bank analyst Terry Smith said Citicorp's move, if followed by UK banks, could cause a significant drop in earnings by the clearing banks. Market makers in banks said they had endured "a very bad day."

Whitbread chose the wrong day to announce its preliminary results. Annual profits were at the top end of expectations, and the statement generally was regarded as pretty positive. City analysts particularly liked the shift away from bear production to the booming retailing side.

Estimates for the current year were upgraded with Morgan Grenfell opting for profits of £182m and Kleinwort Grieveson £185m. The "A" shares, they tumbled 20 to 350p as investors were motivated by the surrounding market weakness and panicked into realising substantial short-term gains.

Merchant Banks mirrored the disarray in the big four banks and **Kleinwort Benson** dropped 15 to 530p, **Hill Samuel** 5 to 507p and **Morgan Grenfell** 5 to 389p profit-taking, left **Guinness Peat** 4 down at 104p.

Insurances held up well given the steep falls elsewhere in the financial sector. **Sun Alliance** drifted back 10 to 863p in the wake of the sharply increased bad weather claims during the first quarter which were revealed by the chairman at the annual meeting. **Equity and Law Life** slipped 6 to 361p following shareholders' approval of the proposed changes in the corporate structure of the company.

Highly creditable mid-term results from Bass also brought an adverse reaction, the price falling 37 to 983p. Favourable views on **Allied-Lyons**, after the previous day's excellent figures, similarly failed to support the shares, 7 down at 424p. **Matthew Brown**, 663p, held Tuesday's sharp rise, but **Scottish & Newcastle**, which is rumoured to be again stalking the group, came back 6 more to 245p. In contrast, bid speculation helped **Greenall Whitley** rise 6 further to 279p. Elsewhere, Young non-voting were raised 17 more to 445p but **Irish Distillers** ended 3 easier at 183p after lower interim profits.

Leading Building issues, front runners in the market's latest upsurge, turned easier with the onset of profit-taking. Most of the business was reportedly between market makers, but recent favourite **Tarmac** came under selling pressure and dipped 15 to 570p, while **RMC** slipped 5 to 915p and **Redland** eased 4 to 502p. *Among Construction issues*, **John Laing**, which on Tuesday announced details of the £100m Sizewell 'B' contract, lost 7 to 503p. **Costain** were a similar amount down at 530p. Among the second-liners, **Stanley Miller** continued to attract support on takeover hopes and rose 16 to 136p, while **Baggeridge Brick** rose 10 to 200p in response to the excellent interim results. Speculative buying lifted **British Dredging** 4 to 142p.

Currency influences prompted profit-taking in ICI, finally 3/16 off at £13 11/32. Elsewhere in the Chemical sector, **Ancher** gained 19 to 345p reflecting small persistent buying in a restricted market while **Coates Brothers A** rose 14 to 239p on hopes of an eventual bid from major shareholders Markheath.

The upsurge in retailers since Monday's encouraging retail sales figures gave way to a sustained bout of profit-taking which left the *leading stores with widespread* but generally modest falls. **Storehouse**, due to report preliminary figures on June 2, dipped 9 to 319p. **Marks and Spencer** eased 6 to 251p and **GUS 'A'** ¼ to £14 1/16. **Underwoods**, announcing preliminary figures today, edged up 4 to 209p. The US expansion helped **Body Shop** add 10 at 800p while talk of an imminent takeover boosted **Ellis & Goldstein** 11½ to 121½p. **Top Value** rallied 8 to 101p.

A statement from Hanson Trust saying it held no shares in GEC and did not plan to make a bid for the company prompted an immediate decline in the latter's share price which retreated 12 to 228p following a turnover of 16m shares.Other leading electricals gave ground led by **British Telecom**, 7 cheaper at 300p, following the latest opinion poll which indicated an improvement in Labour's position. **Plessey**, scheduled to announce preliminary figures on May 28, fell 5 to 231p.

With the exception of **GKN**, now down 13 at 323p, in a volume of 3.2m shares, leading Engineers recorded modest losses. Among the occasional bright spots in secondary issues, **S. W. Wood** advanced 9 to 101p on a burst of speculative activity. **Telfos**, still reflecting the change in stakeholding, advanced afresh to 130p before settling 3 up on balance at 123p. In contrast, falls of around 9 were recorded in **Laird Group**, 334p, **Babcock**, 216p, and **Davy Corporation**, 179p. **RHP** drifted off to close 4 cheaper at 232½p following the half-year figures.

Food Retailers weakened. **J. Sainsbury** shed 12 more to 522p on further consideration of the *results, while* **Tesco** *shed* 7 to 521p in sympathy. Moving smartly against the trend, **Bejam** gained 19 to 217p on **Iceland Frozen Food** bid speculation; the latter firmed 5 to 377p. Elsewhere, **Unigate** moved up 3 to 413p in a restricted market, while **S. & W. Berisford** gained 10 to 350p on news of the cocoa merger talks with W. R. Grace of the US. **Ranks Hovis McDougall** eased 4 to 317p, the satisfactory interim results discounted. **Rowntree Mackintosh** were dull at 507, down 19, while **Cadbury Schweppes** shed 7½ to 246p following US selling. **Acatos and Hutcheson** gained 50 to 409p in reply to the excellent half-year figures.

The miscellaneous industrial leaders followed the lower trend, but trading activity remained at a relatively low level. **BOC** gave up 7 to 460p and **Beecham** were a similar amount cheaper at 507p. **Unilever**, a particularly good market since announcing excellent first quarter figures, encountered occasional profit-taking and gave up ¼ to £30¼. **Pilkington** fell 14 to 845p, while **Boots** became a much quieter market, but held up reasonably well at 312p, down 6. Elsewhere, **Avon Rubber** featured with a jump of 31 to 610p in response to the more than doubled half-year profits. **Just Rubber**, reflecting an investment recommendation, moved ahead strongly to close 19 higher at 102p.

Necros continued firmly at 414p amid vague talk of a possible tender offer, while favourable Press mention directed buyers to **Thomas Jourdan** which improved 5 to 176p. **British Aerospace** met with selling and fell away to close 22 cheaper at 630p in a volume of 3.2m shares. Profit-taking clipped 11 from **Wellcome** at 460p. **Coloroll**, down 9 at 348p, ran into selling despite announcing preliminary figures in line with most market expectations. **British Airways** remained an active market (some 11m shares changed hands) following comment on the annual results and settled 8 cheaper on the day at 154p. **Mitchell Cotts** hardened 1½ to 75½p after swiftly rejecting the share exchange offer from Suter; the latter gave up 12 to 299p. **J. Bibby**, still reflecting disappointment with the interim figures, eased 5 further to 240p.

Currency influences continued to bear down on **Jaguar**, a further 15 off at 519p, and **Reliant** eased 2 to 38p despite the forecast of a return to profitability this year and a resumption of dividend payments next year. Among Distributors, **Laidlaw** gained 6 to 181p but **Hartwell**, 113p, were unmoved by higher profits and a proposed scrip issue.

Selected Paper/Printings bucked the trend. **Hunterprint** were again in demand at 505p, up 22, while **St. Ives** rose 12 to 717p and **Hemes & Marchant** 7 to 377p, the last-named in response to Tuesday's good interim figures. **Conrad** were a small feature, rising 10 to 96p on bid possibilities.

Losses among the Property leaders were relatively modest. **Land Securities** slipped 3 to 499p, while **MEPC** settled 7 off at 468p. **Hammerson A** bucked the trend and closed 15 higher at 585p. **Arlington Securities** shed 7 to 243p following details of a major acquisition; the company is buying Aztec Business Park near Bristol for £33m and has announced a £52.4m rights issue to fund the deal with the surplus earmarked for further expansion. Buying ahead of next Tuesday's annual results boosted **Warnford Investment** 45 to 950p.

Little heed was paid to a good first-half achievement, which included a proposed scrip issue, by **Leeds** and the shares drifted back 15 to 335p. Other Textiles also retreated and **Courtaulds** ended 6 off at 448p, while **John Crowther** gave up 7½ at 196p.

BAT Industries succumbed with the general trend to close 12 down at 545p.

Financial Trusts were led lower by **British and Commonwealth**, 6 down at 437p, and **MAI**, which fell 9 to 544p. Few issues escaped the downturn but **Ex-Lands** surged 27 higher to 90p on Cleves Investments' acquisition of a near-15 per cent stake; late yesterday Ex-Lands terminated discussions with Cleves regarding development of its activities.

Energy stocks proved sensitive to scrappy selling. **BP** settled 9 lower at 342p and **Shell** shed ¼ to £13. **Britoil**, at 289p, lost most of Tuesday's rise of 10 while **Ultramar** dipped 11 to 236p. **British Gas** shed 4 to 106½p.

Polly Peck, strong performer of late, suffered as some professional operators cashed in their profits and the close was 10 down at 363p.

Traded Options

Traded options contracts totalled a record 106,195 made up of 66,323 calls and 39,872 puts.

Traditional Options

- First dealings May 18
- Last dealings May 29
- Last declaration August 20
- For settlement Sept 1

For rate indications see end of Unit Trust Service

Money was given for the call of **British Petroleum, Ladbroke, Border TV, Storehouse, GEC, Rolls-Royce, Clayform Properties, Eagles, Centreway, Bridon, Property Trust, Enterprint, Anglo United, Kalamazoo, Southend Stadium, Blacks Leisure, Bejam, Moorleigh, Martin Ford, Berkeley and Hay Hill, Sound Diffusion, Berisford, Acorn Securities, Capero and Century Oil. Southend Stadium** were dealt in for the put, while a double option was arranged in **Rolls-Royce**.

FINANCIAL TIMES STOCK INDICES

	May 20	May 19	May 18	May 15	May 14	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	92.43	92.43	92.32	92.62	92.92	92.24	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.73	97.77	97.82	98.07	98.05	97.03	98.54 (13/5)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1690.8	1719.0	1696.4	1691.6	1684.2	1312.5	1,719.0 (19/5)	1,320.2 (2/1)	1,719.0 (19/5/87)	49.4 (26/6/40)
Gold Mines	439.2	433.3	444.1	429.9	420.8	228.0	485.0 (14/4)	288.2 (2/1)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.40	3.35	3.40	3.39	3.41	4.19				
Earnings Yld.%(full)	8.21	8.09	8.18	8.18	8.20	10.40				
P/E Ratio (net) (*)	14.99	15.21	15.05	15.04	15.01	11.76				
SEAQ Bargains (5 pm)	57,059	48,685	50,314	49,571	47,513	—				
Equity Turnover (£m)	—	—	1373.72	1739.28	1,776.53	449.19				
Equity Bargains	—	—	63,477	60,949	61,468	21,790				
Shares Traded (ml)	—	—	574.3	693.7	705.5	203.5				

S.E. ACTIVITY

Indices	May 19	May 18
Gilt Edged Bargains	—	137.7
Equity Bargains	—	411.3
Equity Value	—	2776.6
5-Day Average		
Gilt Edged Bargains	—	155.1
Equity Bargains	—	409.0
Equity Value	—	3238.7

♥ Opening 1701.7 | 10 a.m. 1702.6 | 11 a.m. 1694.7 | Noon 1694.4 | 1 p.m. 1692.9 | 2 p.m. 1692.7 | 3 p.m. 1696.0 | 4 p.m. 1691.3

Day's High 1702.9. Day's Low 1689.1. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=14.65.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (145)

BANKS (4), BREWERS (4), BUILDINGS (12), CHEMICALS (5), STORES (11), ELECTRICALS (8), ENGINEERING (5), FOODS (5), INDUSTRIALS (26), INSURANCE (2), LEISURE (3), MOTORS (4), NEWSPAPERS (1), PAPER (10), PROPERTY (6), SHIPPING (2), SOUTH AFRICANS (1), TRUSTS (12), OILS (5), MINES (11), THIRD MARKET (1).

NEW LOWS (65)

AMERICANS (43), CANADIANS (6) Bank Montreal, Bank Nova Scotia, Can Imp Bank, Henlys Group, Royal Bank Canada, Seagram, BANKS (2) Algemene, Deutsche Bank, CHEMICALS (1) Novo Inds, ELECTRICALS (1) Nth Telecom, ENGINEERING (1) Thyssen, INDUSTRIALS (1) Baxter Travenol, INSURANCE (5) American Gen Corp, Aon Corp, Marsh McLennan, Torchmark, USLIFE, PAPERS (1) Scott Paper, TRUSTS (4), Baillie Gifford Shin Nippon, Govett Atlantic, Kleinwort Overseas Tst, New Tokyo Inv.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	[illegible]	[illegible]	[illegible]	Jaguar	[illegible]	[illegible]	[illegible]
Allied Lyons	[illegible]	[illegible]	[illegible]	Ladbroke	[illegible]	[illegible]	[illegible]
Amstrad	[illegible]	[illegible]	[illegible]	Land Securities	[illegible]	[illegible]	[illegible]
Assoc. Brit. Foods	[illegible]	[illegible]	[illegible]	Legal & Gen	[illegible]	[illegible]	[illegible]
Argyll Group	[illegible]	[illegible]	[illegible]	Lloyds Bank	[illegible]	[illegible]	[illegible]
BAT	[illegible]	[illegible]	[illegible]	Lucas	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]	MEPC	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]	Marks & Spencer	[illegible]	[illegible]	[illegible]
BPB Inds	[illegible]	[illegible]	[illegible]	Midland Bank	[illegible]	[illegible]	[illegible]
BPCC	[illegible]	[illegible]	[illegible]	NatWest Bank	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]	Next	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]	Pearson	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]	P & O	[illegible]	[illegible]	[illegible]
Beecham	[illegible]	[illegible]	[illegible]	Pilkington Bros	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]	Plessey	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]	Prudential	[illegible]	[illegible]	[illegible]
Brit. Airways	[illegible]	[illegible]	[illegible]	Racal	[illegible]	[illegible]	[illegible]
Brit. Aero	[illegible]	[illegible]	[illegible]	Rank Org.	[illegible]	[illegible]	[illegible]
Brit. & Comm.	[illegible]	[illegible]	[illegible]	RMC	[illegible]	[illegible]	[illegible]
Brit. Gas	[illegible]	[illegible]	[illegible]	Reckitt & Col	[illegible]	[illegible]	[illegible]
Britoil	[illegible]	[illegible]	[illegible]	Redland	[illegible]	[illegible]	[illegible]
BP	[illegible]	[illegible]	[illegible]	Reed Intl.	[illegible]	[illegible]	[illegible]
Brit. Telecom	[illegible]	[illegible]	[illegible]	Reuters	[illegible]	[illegible]	[illegible]
Burmah	[illegible]	[illegible]	[illegible]	RMC	[illegible]	[illegible]	[illegible]
Burton	[illegible]	[illegible]	[illegible]	RTZ	[illegible]	[illegible]	[illegible]
Cable & Wire	[illegible]	[illegible]	[illegible]	Rowntree Mac	[illegible]	[illegible]	[illegible]
Cadbury Schweps	[illegible]	[illegible]	[illegible]	Ryl Bank Scotland	[illegible]	[illegible]	[illegible]
Coats Viyella	[illegible]	[illegible]	[illegible]	Royal Insurance	[illegible]	[illegible]	[illegible]
Comm. Union	[illegible]	[illegible]	[illegible]	STC	[illegible]	[illegible]	[illegible]
Cons. Gold	[illegible]	[illegible]	[illegible]	Saatchi & Saatchi	[illegible]	[illegible]	[illegible]
Cookson	[illegible]	[illegible]	[illegible]	Sainsbury	[illegible]	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	[illegible]	Sears	[illegible]	[illegible]	[illegible]
Dee Corp	[illegible]	[illegible]	[illegible]	Sedgwick	[illegible]	[illegible]	[illegible]
Dixons	[illegible]	[illegible]	[illegible]	Shell Trans.	[illegible]	[illegible]	[illegible]
English China Clays	[illegible]	[illegible]	[illegible]	Smith & Nephew	[illegible]	[illegible]	[illegible]
Fisons	[illegible]	[illegible]	[illegible]	Standard Chart.	[illegible]	[illegible]	[illegible]
Gen. Accident	[illegible]	[illegible]	[illegible]	Storehouse	[illegible]	[illegible]	[illegible]
Gen. Elec.	[illegible]	[illegible]	[illegible]	Sun Alliance	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]	[illegible]	TSB	[illegible]	[illegible]	[illegible]
Globe Investment	[illegible]	[illegible]	[illegible]	Tarmac	[illegible]	[illegible]	[illegible]
Granada	[illegible]	[illegible]	[illegible]	Tesco	[illegible]	[illegible]	[illegible]
Grand Met.	[illegible]	[illegible]	[illegible]	Thorn EMI	[illegible]	[illegible]	[illegible]
Gus "A"	[illegible]	[illegible]	[illegible]	Trafalgar House	[illegible]	[illegible]	[illegible]
Guardian R.E.	[illegible]	[illegible]	[illegible]	THF	[illegible]	[illegible]	[illegible]
GKN	[illegible]	[illegible]	[illegible]	Unigate	[illegible]	[illegible]	[illegible]
Guinness	[illegible]	[illegible]	[illegible]	Unilever	[illegible]	[illegible]	[illegible]
Hanson Trust	[illegible]	[illegible]	[illegible]	United Biscuits	[illegible]	[illegible]	[illegible]
Hawker Sidd	[illegible]	[illegible]	[illegible]	Wellcome	[illegible]	[illegible]	[illegible]
Hillsdown Hldgs	[illegible]	[illegible]	[illegible]	Whitbread "A"	[illegible]	[illegible]	[illegible]
ICI	[illegible]	[illegible]	[illegible]	Woolworth	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	101	47
Corporations, Dominion and Foreign Bonds	3	16	10
Industrials	310	717	515
Financial and Properties	74	301	219
Oils	16	51	45
Plantations	1	5	7
Mines	49	30	107
Others	22	145	70
Totals	478	1,366	1,020

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Wed May 20 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tues May 19 Index No.	Mon May 18 Index No.	Fri May 15 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	913.49	-1.6	7.57	2.90	17.12	9.07	928.13	921.57	918.53	716.40
2	Building Materials (27)	1163.15	-1.3	7.39	2.86	17.33	9.58	1178.27	1162.97	1158.75	794.32
3	Contracting, Construction (33)	1533.19	-1.1	7.49	3.13	17.94	18.65	1549.76	1543.62	1537.37	1174.34
4	Electricals (13)	2549.02	-0.9	5.69	3.30	23.61	81.62	2570.85	2565.42	2533.91	1929.39
5	Electronics (36)	2075.80	-2.6	7.65	2.11	17.59	12.00	2131.18	2134.95	2130.40	1661.71
6	Mechanical Engineering (59)	502.90	-1.5	8.37	3.44	15.14	6.27	510.74	505.69	506.57	407.95
8	Metals and Metal Forming (7)	500.47	-0.9	7.42	3.63	16.23	5.36	505.11	498.04	498.53	347.77
9	Motors (15)	333.05	-1.8	9.09	3.29	12.68	3.24	339.02	336.30	340.30	206.53
10	Other Industrial Materials (21)	1512.05	-0.9	6.11	3.26	19.65	18.43	1525.52	1505.76	1519.61	1205.23
21	CONSUMER GROUP (185)	1079.32	-1.3	6.12	2.60	21.30	9.17	1094.13	1086.21	1086.31	896.85
22	Brewers and Distillers (22)	1166.68	-2.0	7.82	3.02	16.23	5.09	1192.71	1181.71	1178.12	923.42
25	Food Manufacturing (25)	962.45	-1.3	7.24	3.10	18.22	10.90	974.73	973.57	961.42	647.26
26	Food Retailing (15)	2314.57	-0.9	5.75	2.49	23.75	13.40	2336.03	2340.05	2298.82	1866.71
27	Health and Household Products (10)	2362.81	-1.3	4.14	1.64	28.31	8.73	2394.57	2371.06	2371.80	1496.46
29	Leisure (31)	1309.61	-1.3	5.55	3.25	22.25	14.64	1326.23	1316.41	1312.67	869.93
31	Packaging & Paper (15)	656.61	-0.9	5.98	2.51	21.77	4.77	662.63	659.64	657.97	474.97
32	Publishing & Printing (14)	3679.06	-0.7	6.16	3.07	21.13	33.22	3706.21	3731.88	3747.29	2512.66
34	Stores (37)	1108.65	-1.6	6.02	2.54	22.64	6.56	1127.00	1107.04	1089.58	880.50
35	Textiles (16)	752.41	-0.4	7.73	2.73	14.92	5.65	755.31	737.98	728.25	526.40
40	OTHER GROUPS (87)	1063.42	-1.7	7.71	3.15	16.34	8.19	1081.29	1077.06	1076.13	776.28
41	Agencies (17)	1468.59	-0.8	4.84	1.70	27.69	8.06	1480.99	1471.59	1470.32	0.0
42	Chemicals (21)	1295.83	-1.7	7.58	3.57	16.16	18.71	1318.44	1301.31	1316.28	856.82
43	Conglomerates (11)	1333.12	-0.8	6.73	3.20	17.50	7.75	1344.55	1331.62	1344.75	0.0
45	Shipping and Transport (11)	2163.85	-1.5	7.30	3.67	17.16	23.04	2196.26	2189.59	2174.47	1564.48
47	Telephone Networks (2)	1160.45	-2.3	8.06	3.23	16.90	1.09	1187.24	1177.23	1183.46	884.17
48	Miscellaneous (25)	1402.28	-1.6	9.38	3.13	12.76	17.56	1425.75	1413.25	1409.49	995.27
49	INDUSTRIAL GROUP (483)	1129.81	-1.5	6.87	2.82	18.55	8.72	1146.88	1138.37	1136.03	830.06
51	Oil & Gas (17)	2048.76	-2.4	5.60	4.51	23.12	37.86	2099.87	2098.16	2117.99	1198.91
59	500 SHARE INDEX (500)	1207.47	-1.6	6.68	3.07	19.10	11.20	1227.66	1219.74	1219.33	862.77
61	FINANCIAL GROUP (117)	753.43	-1.6	—	3.88	—	7.17	765.75	749.66	745.24	588.75
62	Banks (8)	799.36	-3.6	17.70	4.68	7.47	7.75	829.53	802.34	791.96	623.33
65	Insurance (Life) (9)	1030.36	-1.0	—	4.00	—	20.71	1041.17	1032.09	1034.78	809.22
66	Insurance (Composite) (7)	562.81	-0.4	—	4.35	—	11.76	565.11	561.53	547.05	488.90
67	Insurance (Brokers) (9)	1196.26	-0.7	8.05	4.50	14.24	22.52	1204.78	1204.74	1213.38	1172.75
68	Merchant Banks (11)	390.60	-1.3	—	2.91	—	2.91	395.75	387.87	385.45	351.86
69	Property (46)	1138.58	-0.9	4.04	2.56	31.91	4.36	1148.99	1121.60	1114.51	751.33
70	Other Financial (27)	479.74	-0.5	6.84	3.24	18.49	3.33	482.28	478.21	480.30	345.55
71	Investment Trusts (94)	993.67	-1.1	—	2.36	—	6.68	1004.31	1001.30	1006.69	735.29
81	Mining Finance (2)	358.63	+1.8	5.47	2.97	21.48	6.79	346.65	345.81	325.70	284.74
91	Overseas Traders (11)	1042.89	-0.4	8.51	4.52	14.09	14.27	1047.46	1045.75	1043.43	667.57
99	ALL-SHARE INDEX (724)	1086.05	-1.5	—	3.17	—	10.93	1103.10	1093.66	1092.15	783.64

	Index No.	Day's Change	Day's High	Day's Low	May 19	May 18	May 15	May 14	May 13	Year ago
FT-SE 100 SHARE INDEX ♦	2174.0	-40.3	2191.4	2170.8	2214.3	2192.1	2189.7	2180.0	2163.4	1591.9

FIXED INTEREST

	PRICE INDICES	Wed May 20	Day's change %	Tues May 19	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	124.89	-0.11	125.02	—	4.38
2	5-15 years	145.75	-0.32	146.22	—	5.03
3	Over 15 years	155.55	-0.45	156.25	—	5.16
4	Irredeemables	168.99	-0.24	169.41	—	6.07
5	All stocks	141.56	-0.28	141.96	—	4.88
	Index-Linked					
6	5 years	123.66	+0.17	123.45	—	0.83
7	Over 5 years	120.01	-0.10	120.13	—	1.17
8	All stocks	120.11	-0.08	120.21	—	1.13
9	Debentures & Loans	125.34	-0.12	125.48	—	3.79
10	Preference	88.29	-0.11	88.39	—	2.77

	AVERAGE GROSS REDEMPTION YIELDS		Wed May 20	Tues May 19	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	7.72	7.69	7.59
2		15 years	8.74	8.69	8.73
3		25 years	8.90	8.76	8.75
4	Medium Coupons	5 years	8.70	8.66	[illegible]
5		15 years	[illegible]	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High Coupons	5 years	[illegible]	[illegible]	[illegible]
8		15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]
	Index-Linked				
11	Inflat'n rate 5%	Over 5 yrs.	2.83	2.08	3.59
12	Inflat'n rate 5%	Over 5 yrs.	3.52	3.51	3.29
13	Inflat'n rate 10%	5 yrs.	1.56	1.60	2.38
14	Inflat'n rate 10%	Over 5 yrs.	3.42	3.41	3.12
15	Debs & Loans	5 years	9.70	9.64	10.08
16		15 years	10.05	10.02	10.02
17		25 years	10.09	10.06	9.96
18	Preference		10.25	10.20	10.74

♦Opening index 2190.8; 10 am 2189.5; 11 am 2177.5; Noon 2178.2; 1 pm 2174.9; 2 pm 2174.8; 3 pm 2179.1; 3.30 pm 2170.2; 4 pm 2172.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

CONSTITUENT CHANGE (11/5/87): Comcap (5) has been deleted and replaced by Macro 4 (5).

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*424)	390	40	58	68	8	12	16
	420	22	40	50	22	27	30
	460	7	20	32	52	53	58
Brit. Airways (*153)	140	17	20	29	6	9	11
	160	8	12	19	19	22	24
	180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. & Comm.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Britoil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cable & Wire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.E.C.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Securities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Spen.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rolls-Royce	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar House	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TSB	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woolworth	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Guinness (*358)	280	80	87	95	0½	1½	2
	300	60	70	76	0½	4	6
	330	30	45	53	0½	8	13
	360	8½	27	42	9	25	32
Ladbroke	373	45	60	—	2	7	—
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LASMO	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Plessey	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 1991	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 03/07	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Amstrad	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beecham	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
De Beers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dixons	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thorn EMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trusthouse Forte	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls June	Calls Oct	Calls Jan	Puts June	Puts Oct	Puts Jan
Bass	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GKN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jaguar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Barclays	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAT Inds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Telecom	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cadbury Schweppes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls June	Calls July	Calls Aug	Puts May	Puts June	Puts July	Puts Aug
FT-SE Index (*2215)	2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	2050	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	2100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	2150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	2200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	2250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	2300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

May 20. Total Contracts 106,195. Calls 66,323. Puts 39,872.
FT-SE Index Calls 1,993. Puts 2,248.
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or –	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. W Pro forma figures. † Indicates dividend cover relates to previous dividend, p/e ratio based on latest annual earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. ¶ Reintroduced. ‖ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ♦ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

WORLD STOCK MARKETS

AUSTRIA | GERMANY | SPAIN | AUSTRALIA (Continued) | JAPAN (Continued)

BELGIUM/LUXEMBOURG | SWEDEN | HONG KONG

DENMARK | ITALY | SWITZERLAND | JAPAN | SINGAPORE

FINLAND | NETHERLANDS

FRANCE | AUSTRALIA | SOUTH AFRICA

NORWAY

CANADA

TORONTO
Closing prices May 20

MONTREAL
Closing prices May 20

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

TORONTO

LONDON — Most Active Stocks
Tuesday, May 19, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Rolls-Royce	380.8m	145	–	Brit Airways	9.8m	154	– 3
Brit Gas	26.8m	108½	– 4	Lucas	8.8m	298	unch
Cab Elect	15.0m	228	–12	BP	8.5m	342	– 9
Sears	12.8m	166	+ ½	Guinness	7.9m	357	– 4
NatWest Bk	11.0m	885	–18	Lloyds Bk	7.0m	543	–42

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
MFS Govt	5,581,300	10	unch	Citicorp	2,072,900	53½	+2½
Amer Motor	4,639,600	4⅛	+ ⅛	Amer Expr	1,853,300	31⅜	+1
ATT	3,225,500	25	– ⅛	Pepsico	1,838,000	31¼	+1
JP Morgan	2,318,800	42⅛	+1⅛	Har Bru Jo	1,576,100	47⅛	– ⅛
IBM	2,280,300	157⅛	+ ½	Texaco	1,563,100	37⅛	+ ½

Advances 432 Declines 845

LONDON Chief price changes
(In pence unless otherwise indicated)

RISES:		
Ac & Hutcheson	400	+50
Av Rubber	610	+31
Bejam	217	+19
Berisfd. (S&W)	350	+10
Coates Bros. A.	230	+14
Conrad Hlgs.	96	10
El & Goldstein	121½	+11½
Ex-Lands	80	+27
Hunterprint	505	+22
Just Rubber	102	+19
Miller (S.)	136	+16
Top Value Inds.	101	+ 8
Wood (S. W.)	101	+ 9

FALLS:		
BAT Inds.	545	–12
Bass	988	–37
Brit. Aero.	630	–22
Brit. Gas	108½	– 4
Brit. Telecom	300	– 7
GEC	228	–12
Jaguar	519	–15
Leeds Gr.	355	–15
Lloyds Bank	543	–42
Midland Bk.	657	–46
Pilk. Bros.	845	–14
P. Peck Intl.	283	–10
Racal Elect.	250	– 7
Rowntree	507	–19
Sainsbury (J.)	522	–12
Suter	299	–12
Whitebread A.	350	–20

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 41

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅝	20⅛	AAR	s	.50	1.7	20	488	29¾	28⅞	28⅞	−1⅛
37	21⅞	ADT		.92	3.0	17	91	30⅝	30⅛	30¼	−⅛
27⅝	15¼	AFG	s	.16	.7	11	1003	25⅛	24	24	−1¼
44¾	16¾	AGS				21	407	41½	40½	41	−1
13½	6¾	AMCA					15	7⅞	7¾	7¾	−¼
9⅝	4⅞	AM	Intl				1432	6¼	6	6¼	
62⅛	47¼	AMR				11	5213	55¼	53⅝	54⅝	+⅝
27½	25	ANR	pf	2.67	11.		5	25½	25¼	25¼	−½
11¼	8	ARX	s			12	42	10⅝	10¼	10⅝	−⅛
73½	28¾	ASA		2a	3.1		888	64⅞	63⅛	63½	−⅝
20	9¾	AVX			1.9	64	904	17	16⅝	16¾	−¼
67	41	AbtLab		1	1.8	23	16058	56¼	54½	55¾	+1½
34¾	25	AccoWd		.62	2.1	18	38	29⅛	28¾	29⅛	+⅛
15⅛	9	AcmeC		.40	3.3	9	28	12⅝	12⅛	12⅛	−½
8⅝	6⅛	AcmeE		.32b	4.1	30	4	7¾	7¾	7¾	−⅛
23⅞	19	AdaEx		3.42e	16.		120	20¾	20½	20¾	
19½	11⅝	AdmMs		.24	1.6	11	50	15⅝	15⅛	15⅛	
21½	12⅛	AdvSys		.62	3.4	14	77	18½	18⅛	18⅛	−¼
27⅝	12⅞	AMD					3058	20½	20	20⅛	−⅜
54¾	49⅝	AMD	pf	3	5.8		234	51¾	51½	51½	−¾
10¾	5¼	Adobe					97	9¾	9¼	9⅝	−⅜
20½	13¾	Adob	pf	1.84	9.6		7	19½	19¼	19¼	−¼
21⅞	16⅝	Adob	pf	2.40	12.		8	20½	20⅛	20⅛	+⅛
16⅝	11½	Advest		.12a	.9	10	162	13⅝	13¼	13½	
68¼	53	AetnLf		2.76	4.9	9	1975	56⅝	56⅛	56¼	−¼

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
49	45¾	Weyer pr2.52		5.5		316	45¾	45⅛	45⅝	−⅜
12	5⅝	vjWhPit				288	9½	8¼	8¼	−1¼
28	17½	vjWPit pfB				z100	24	24	24	
25	13	vjWhPipf				z30	20½	20½	20½	−1
41⅞	29¼	Whirpl	s1.10	3.2	13	2821	35	34⅛	34⅛	−½
29⅞	21	Whitehl			41	68	21⅜	d20¼	20¼	−⅞
35	24⅞	Whittak	.60	1.8	89	205	33¾	33⅝	33⅝	−⅛
17¼	6⅝	Wilfred	.12	1.8	14	467	7½	6¾	6¾	−¾
25¼	11⅞	WillcxG	.15	.7	14	145	22½	22	22	−½
34¾	17⅝	WilliamH	.40	4.5		632	31¼	30¾	30⅞	+⅛
6⅞	4⅛	WilshrO				58	5⅞	5⅝	5⅞	+⅛
17¾	10¼	Winchl n	.45e	4.1		485	11⅛	10⅞	11	−⅛
58	36¼	WinDix	1.80	4.2	18	283	43	42½	42⅞	−½
17⅞	9	Winnbg	.40	3.3	16	386	12¼	11⅞	12⅛	−¼
5⅞	2⅝	Winner				82	3⅝	3¼	3¼	
64½	45½	WiscEn	2.86	6.2	10	265	47	46¼	46⅝	−½
60¼	42½	WiscPL	3.04	6.7	11	85	46¼	45⅜	45⅝	−½
63	42⅝	WiscPS	3	6.6	12	461	46	45½	45⅝	−⅝
47⅝	31⅛	Witco	s 1.12	2.8	13	1113	40⅞	39⅝	39½	−1⅜
14	6⅝	WolvrW				318	11⅜	11⅛	11⅛	−⅜
54	37	Wlwth	s1.32	2.9	13	2717	45⅝	44½	45⅛	−¼
149	106	Wolw	pf2.20	1.7		4	132	128¾	128¾	−4¼
7¼	5	WrldAr				17	6⅛	6⅛	6⅛	−⅛
19¾	14⅝	WrldVl n				116	16¾	16⅛	16⅛	−¾
54	38	Wrigly	s1.04	2.3	16	615	47⅛	45	45	−2¼
3⅞	1⅝	Wurltzr				2	2½	2½	2½	+⅛
18⅞	11	WyleLb	.32	1.9	30	189	17¼	16½	16⅝	−⅞
25¾	16	Wynns	.60	3.6	12	132	17	16½	16¾	+¼
X Y Z										
81¼	45⅝	Xerox	3	4.1	18	5966	74¼	72½	73⅛	−⅞
58¼	55	Xerox	pf5.45	9.8		204	55¾	55⅜	55¾	+¼
28¾	21½	XTRA	.54	2.6		964	25	24⅝	24⅝	−¾
24⅞	15½	Yorkdn			15	114	23½	23	23	−¼
6	2¼	Zapata				428	4⅞	4¾	4¾	
45⅞	20¾	Zayre	s .40	1.7	15	5202	24⅜	23¾	23⅞	−⅛
14¾	9¾	Zemex	.40	3.3	8	10	12⅜	12¼	12¼	−¼
29⅝	16⅞	ZenithE				881	27½	26¾	27	−½
17½	8	ZenLb	s			1153	10½	10⅞	10⅜	−¼
19⅝	12⅝	Zero	.36	2.1	18	508	18	17⅜	17⅜	−⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 39

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Stocks recover poise as credit markets calm

WALL STREET

CALM returned to Wall Street stock and bond markets yesterday after the short-lived squall over Citicorp's huge increase in loan-loss provisions, *writes Roderick Oram in New York.*

The interest-rate gap between short-term bank and government securities narrowed slightly following Tuesday's widening when Citicorp's news triggered a flight to quality. There was no evidence that any bank was having difficulty funding itself in the markets yesterday.

Partial recovery of credit markets helped stocks stabilise after their fall Tuesday afternoon although investors remained apprehensive about higher interest rates and widespread profit taking was apparent.

The Dow Jones industrial average closed down 5.41 at 2,215.87, its fifth fall in a row. Broader market indices fared worse with the Standard & Poor's 500 index losing 1.41 to 278.21 and the New York Stock Exchange composite index falling 0.91 to 157.02.

NYSE trading was heavy at 207.5m shares with the number of issues falling outnumbering those rising by 1,171 to 440.

The mood of the markets was helped by the favourable response most analysts gave to Citicorp's loan reserve. Its stock gained $2¼ to $53⅝ as Merrill Lynch and several other brokerage houses recommended buying the stock because the bank had begun to tackle the problem of Third World sovereign debt.

Citicorp's action put pressure on its competitors to follow suit. Manufacturers Hanover fell $1⅜ to $38⅝, Chemical Bank fell $1⅜ to $39⅝ and BankAmerica slipped $⅜ to $11⅝ while Chase Manhattan added $⅜ to $34⅝ and J. P. Morgan rose $⅞ to $42.

Higher interest rates, pushed up in part by Citicorp's news, continued to reduce investor enthusiasm for interest-rate sensitive stocks. American International Group fell $2⅜ to $80⅝, Great Western Financial lost $⅜ to $45⅜, CIGNA gave up $1 to $57⅝ and Travelers fell $⅝ to $41⅝.

Some oil stocks managed to recover their sharp losses of Tuesday despite a further fall in crude oil prices. Exxon rose $⅝ to $87⅝ and Chevron gained $1¼ to $56½ while Amoco lost $1⅞ to $82⅛ and Atlantic Richfield fell $2 to $86⅝.

In the takeover arena, Crazy Eddie jumped $2⅝ to $7⅝ as about one-fifth of its capital changed hands in the over-the-counter market. The discount electronics goods retailer received a $7 a share takeover offer from Mr Eddie Antar, its chairman.

Among companies reporting or forecasting higher earnings, Toys R Us rose $⅛ to $34⅝ and Pepsico gained $1⅛ to $31⅝.

Credit markets were calm again yesterday after being unsettled on Tuesday afternoon by news of Citicorp's huge increase in loan-loss reserves. The news triggered a flight to quality which pushed down yields on government securities and raised those on bank paper.

The gap between the two narrowed yesterday with three-month Treasury bills adding about 12 basis points to 5.82 per cent while short-term rates on, for example, certificates of deposit and bankers' acceptances were unchanged to 10 basis points higher at up to 7.20 per cent.

The price of the benchmark 8.75 per cent Treasury long bond was up ¼ by late afternoon at 96⅝ yielding 9.08 per cent.

There was some concern, however, that the Federal Reserve Board might be less willing to raise its discount rate if it felt that markets needed an easy monetary policy in the wake of Citicorp's news.

Some analysts say that a half-a-point increase in the discount rate would show the Fed's determination to nip the upturn in inflation in the bud and thus help stabilise foreign exchange and bond markets. So strong is the expectation of an increase, markets could react badly to the Fed taking no action.

Meanwhile, evidence is continuing to grow that the Fed has been tightening slightly its reserve policy to help firm up interest rates. A further sign yesterday was the Fed's announcement of overnight matched sales. The Fed funds rate at which banks lend reserves to each other was, however, unchanged on the day at 6⅞ per cent.

CANADA

A SELL-OFF of financial stocks led Toronto share prices sharply lower despite Wall Street's midday recovery.

Banks were active and weaker. Canadian Imperial Bank of Commerce headed the actives and fell C$⅛ to C$20⅛. Bank of Nova Scotia dipped C$⅜ to C$17 and Bank of Montreal gave up C$⅛ to C$33⅞.

Montreal moved lower in all sectors. Vancouver also fell.

SOUTH AFRICA

GOLD SHARES firmed in Johannesburg despite the dampening effect of a stronger financial rand and the slight dip in the gold price from its recent surge.

Heavyweight gold shares fared well, with Randfontein R9.00 stronger at R497.00 and Vaal Reefs R10.00 up at R450.00.

Cheaper gold stocks also advanced, with Beatrix climbing 50 cents to R19.50 and Harmony R1.50 stronger at R52.50. Mining financials followed golds upwards, with Anglo American R1.50 up at R81.50.

Industrials closed mixed to slightly firmer in nervous trade.

Alice Rawsthorn on a UK forum for deals in small companies

Fortunes rise for Third Market

THE THIRD MARKET, the new forum for dealings in the shares of small UK companies, enjoyed a marked improvement in its fortunes last week when the market's index rose above its original 100 for the first time since its inception in late January.

The index, compiled by stockbrokers Credit Suisse Buckmaster & Moore, rose 9 per cent last week to 101.5. It thus outperformed both the FT-A All Share Index and the FT-SE 100 Index, which rose by 5.2 and 3.0 per cent respectively.

In its first four months the progress of the third tier has been rather erratic. Although some companies quoted on the new forum have seen healthy rises in their share prices, the turnover of shares has been lower and the flow of new issues slower than the London Stock Exchange originally expected.

Last week, however, the market's fortunes revived. Investors' interest was fuelled by bullish announcements from some of the companies already quoted on the third tier and by the emergence of a popular new issue.

Corton Beach, a holding company, unveiled its first publicly quoted set of results in which pre-tax profits trebled, and watched its share price surge 35p to 96p ($1.51) in the course of the week.

Similarly, Catalyst Communications, a marketing services group, attracted investors' attention after announcing a trebling of pre-tax profits and an acquisition.

Meanwhile, the arrival of Crown Eyeglass, a manufacturer and distributor of spectacles, not only broke a prolonged lull in Third Market new issues but also stimulated interest in the third tier. Crown Eyeglass began dealings by soaring to an immediate premium.

Professional advisers, meanwhile, such as accountants and stockbrokers, report renewed interest from prospective Third Market recruits in recent weeks. Most observers anticipate a surge of new issues next year when the first tranche of Business Expansion Scheme companies are released from BES funds.

EUROPE

Frankfurt, Zurich bank shares lead way down

ANXIETY over Citicorp's move to protect itself against loan losses depressed most European bourses.

Frankfurt took the news particularly badly, influenced by heavy losses on US credit markets on Tuesday following Citicorp's announcement, and a softer dollar.

Reports from the DIW Economic research institute of sluggish economic growth with little prospect of an upturn added to the despondency.

Investors stayed well away from a market in which banks set a depressed tone, and selling pressure emerged as professionals and foreign operators unloaded stocks.

The Commerzbank index, calculated at midsession, fell 22.6 to 1,729.6.

Among banks, BHF plunged DM 24 to DM 391 despite news that total operating profit in the first four months of 1987 was higher than in the year-ago period. Deutsche Bank lost DM 17 to DM 579.50, and Commerzbank shed DM 10 to DM 245.

News that West German car and van production fell to 396,500 in April from 428,218 in April 1986 also acted as a depressant. Daimler fell DM 22 to DM 960.50 despite a rise in its 1986 world group net profit from DM 1.68bn to DM 1.77bn.

Zurich reacted to the Citicorp news and losses on other leading bourses by weakening across the board, with the banking and insurance sectors hardest hit.

Stockholm fell sharply after Tuesday's moderate recovery on a further rise in interest rates. Bearish sentiment persisted regarding medium-term price movements.

Paris sagged at the close of the bourse's accounting month, infected by the same anxieties as most of Europe and disheartened by a series of disappointing French economic indicators in recent weeks.

Milan ended a slump lasting seven sessions in a technical reaction to the recent downturn. Activity was spread across a wide range of stocks.

Olivetti put on L80 to close at L12,489 and Montedison ordinary closed up L38 at L2,703.

Oslo moved higher in mixed trading, offsetting losses in banking and insurance sectors.

Madrid firmed, with gains in bank, engineering building and chemical stocks.

The Swiss Bank Corp (SBC) index, the main barometer of Swiss share prices, fell to 607.9, its lowest level since August 8 1986. The SBC banking index fell to 850.2 from 865.6.

Crédit Suisse bearer fell SFr 100 to SFr 2,900, followed down by registered stocks of Swiss Volksbank and Union Bank of Switzerland.

Brussels remained under a shadow following Tuesday's declines on the back of a series of dividend payments and followed the other exchanges downwards.

In insurances, Royale Belge continued to decline on small investor profit-taking. It fell sharply for the third consecutive session, dropping BFr 640 to BFr 5,840.

Amsterdam saw selling pressure as the dollar remained weak, and opening declines were extended. Banks eased, with the weaker market. The largest Dutch bank ABN fell Fl 9 to Fl 477, and Amro Fl 1.40 to Fl 75.30.

LONDON

BANK shares plunged in London following the news regarding Citicorp's debt write-off, and the latest opinion poll indicating a narrowing in the Conservative Party's lead in the general election campaign.

Equities in the financial sector suffered losses, but morale was not low across the board. The Rolls-Royce issue made a successful debut in the first day's trading following its flotation.

The FT-SE 100 index closed 40.3 down at 2174.0, and the FT Ordinary, which has less exposure to the banking sector, lost 28.2 to 1690.80.

UK widens quote service

BY CLIVE WOLMAN IN LONDON

TWO new initiatives were announced yesterday which will improve the flow of information to the London stock market about trading in foreign securities.

NMW Computers, a company which processes the settlement of about quarter of all Stock Exchange trades, has signed an agreement with the Toronto Stock Exchange which will allow investors and stockbrokers in London to carry out automated transactions in Canadian stocks.

This will be done via a link with the Toronto Stock Exchange's own computerised dealing service.

Initially the service will cover only a small number of securities, but it will gradually be expanded to cover all TSE stocks. The service will also provide a currency conversion, settlement and stock loan facility.

Meanwhile, the London Stock Exchange has extended its system for the reporting of all transactions in the most actively traded securities to its international price quotation service, Seaq International.

ASIA

Nikkei plunges on news of Citicorp debt move

TOKYO

US BANK Citicorp's decision to add $3bn to its loan loss reserve against Third World debts jarred the Tokyo market and heavy selling of financial issues drove prices sharply lower, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average of 225 select issues shed 658.28 points from the previous day to 23,419.60, the second biggest ever daily loss. Volume was 827.65m shares compared with Tuesday's 680.12m. Losers far outnumbered gainers by 692 to 252, with 81 issues unchanged.

Financial issues, notably city banks with outstanding loans to developing countries, were depressed by a wave of selling.

Sumitomo Bank plunged Y330 at one point, but later recovered slightly to end Y290 lower at Y4,320. Mitsubishi Bank fell Y200 to Y3,800 and Fuji Bank Y150 to Y3,860.

Trust banks and non-life insurances were also cheaper. Mitsubishi Trust and Banking, and Tokio Marine and Fire Insurance, finished Y480 and Y110 lower at Y4,800 and Y2,390 respectively.

Securities houses fell sharply, affected by the Tokyo stock exchange's plans to cut brokerage commissions on stock transactions. Nomura Securities fell Y330 to Y4,920 and Daiwa Securities Y320 to Y3,080.

Large-capital stocks were heavily sold. Nippon Steel, though topping the active list with 72.21m shares changing hands, closed Y21 lower at Y336.

Nippon Kokan dropped Y25 to Y300 and Ishikawajima-Harima Heavy Industries Y18 to Y638. But Mitsubishi Heavy Industries, which dipped to Y536 at one point, was hunted in afternoon trading and ended Y3 higher at Y558.

Constructions, chemicals and biotechnology issues lost ground almost across the board, with Taisei Corp losing Y60 to Y1,140, Mitsui Toatsu Chemicals Y25 to Y807 and Asahi Chemical Y70 to Y1,100.

Conversely, high-technology issues, notably electronics, continued firm, supported partly by investment trusts' active buying. NEC gained Y80 to Y1,700, Matsushita Electric Industrial Y70 to Y1,670, Oki Electric Y31 to Y823 and Hitachi Y15 to Y935.

Power and gas utilities sounded a weak note, with Tokyo Electric Power shedding Y180 to Y8,000.

Bond prices moved erratically. Dealers, discouraged by the sharp overnight decline on the US bond market, placed massive sell orders in early trading. This pushed up the yield on the benchmark 5.1 per cent government bond, maturing in June 1996, to 3.270 per cent.

In afternoon trading, however, the market was flooded with buy orders and the yield on the benchmark issue turned lower to finish at 3.005 per cent, compared with 3.060 per cent at the close of Tuesday's trading. In inter-dealer trading later, the yield slipped below 3 per cent to reach 2.920 per cent.

SINGAPORE

BARGAIN hunting and short covering kept Singapore active over a broad front and the Straits Times industrial index gained 7.02 points to 1,207.83. Foreign institutions renewed their interest for financial and selected industrials in the afternoon, although some of the high-fliers that gained strongly in last week's surge saw profit-takers move in.

Most attention was again focused on second-line stocks: most active was Mui, with 3.1m shares changing hands, which closed 6 cents higher at S$2.40. Institutional investors – foreign and local – continued to play a prominent role.

Shell gained 30 cents to S$6 while MCB Holdings firmed 22 cents to S$2.06. Wearne rose 20 cents to S$5.95 and OUB dropped 20 cents to S$5.65.

HONG KONG

PESSIMISM over the weakness of Wall Street and Tokyo share prices and resurfaced Third World debt worries pulled Hong Kong prices lower. Only property shares managed advances.

The Hang Seng index fell 3.37 to 2,878.10.

Properties were buoyed by the prospect of next week's Government land auction. Hang Lung Development added 20 cents to HK$13.10, Hong Kong Land gained 10 cents to HK$8.90 and New World Development 20 cents to HK$11.

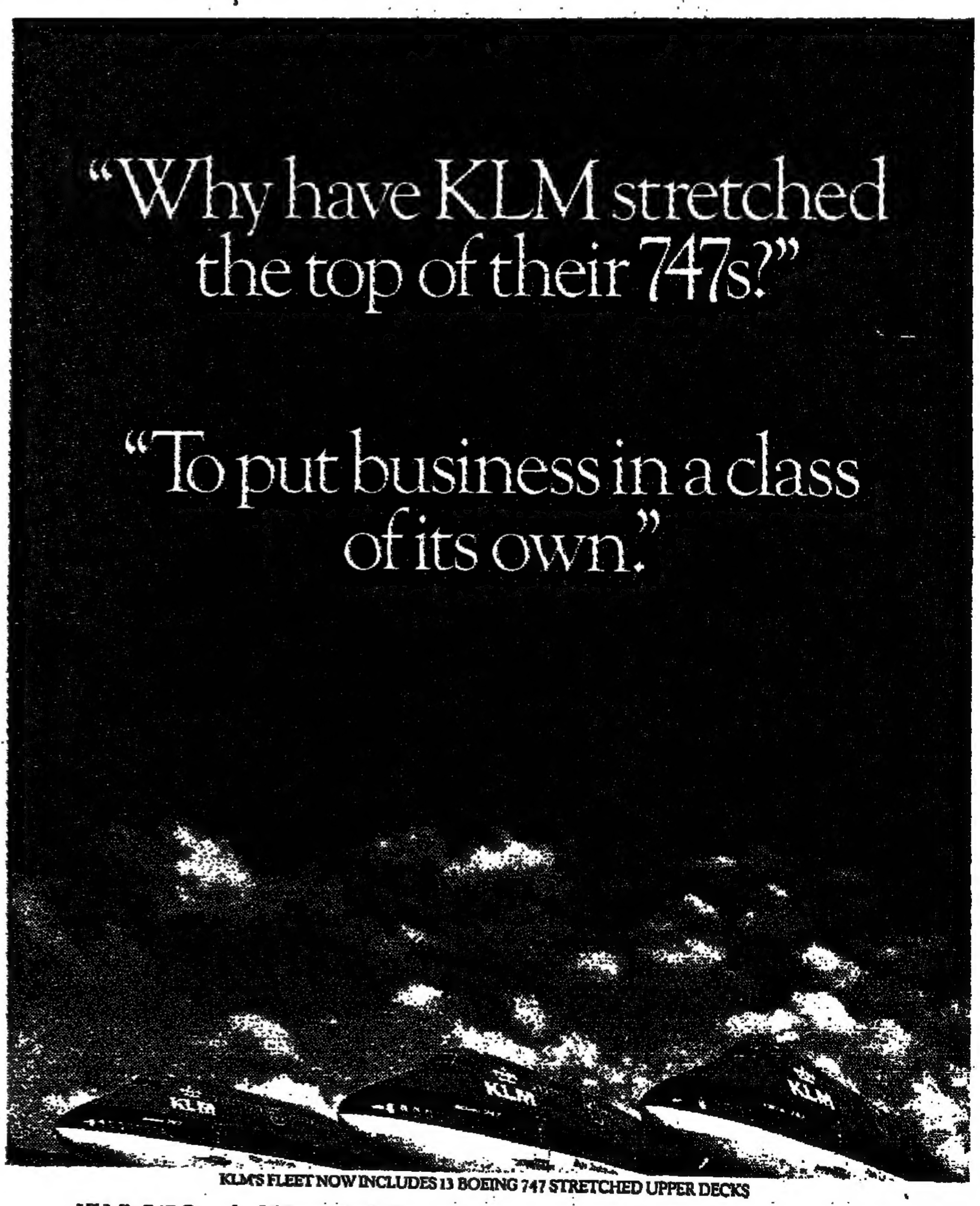
Citicorp's loan loss boost led to a sell-off in bank stocks. Bank of East Asia lost 30 cents to HK$21.90 and Hongkong Bank gave up 5 cents to HK$8.40.

The initial public share offering by Kumagai Gumi (Hong Kong) was oversubscribed 212 times, the company said. There were 99,397 valid applications for some 14.2bn shares, against the offering of 67m shares, or 25 per cent of the enlarged capital. Trading begins on May 29. Shares are being quoted on the grey market at up to HK$2 higher than the HK$2.58 offer price.

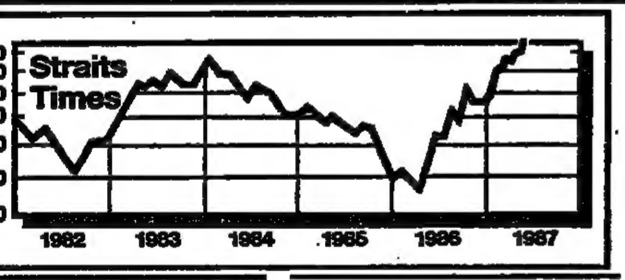
AUSTRALIA

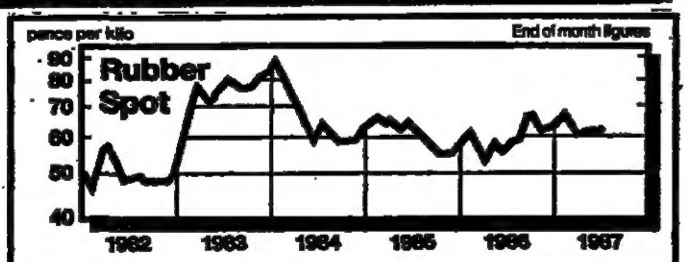
THE BIG overnight rise in the bullion price boosted gold stocks and other miners amid renewed international interest, and Sydney prices recovered much of the ground lost on Wednesday. The All Ordinaries index closed up 16.2 at 1,854.9.

Golds led the advance, with the sector index adding 51.3 to 3,621.0. Emperor Mines featured with an 80 cents gain to A$9.70 despite worries about its Fiji operations, while Norseman picked up 40 cents to A$3.45. Kidston Gold Mines added 50 cents to A$9.00.



KEY MARKET MONITORS





STOCK MARKET INDICES

	May 20	Previous	Year ago
NEW YORK			
DJ Industrials	2,215.87	2,248.27	1,783.98
DJ Transport	933.42	943.91	785.45
DJ Utilities	191.39	196.05	182.08
S&P Comp.	278.21	283.66	236.11
LONDON FT			
Ord	1,690.8	1,719.0	1,312.5
SE 100	2,174.0	2,214.3	1,585.8
A All-share	1,086.05	1,103.10	783.64
A 500	1,207.57	1,227.66	862.77
Gold mines	439.2	433.3	228.0
A Long gilt	8.92	8.87	9.18
World Act. Ind	130.09	131.67	89.67
(May 20)			
TOKYO			
Nikkei	23,419.60	24,077.88	15,690.0
Tokyo SE	2,054.91	2,122.10	1,235.83
AUSTRALIA			
All Ord.	1,854.6	1,838.7	1,178.2
Metals & Mins.	1,284.4	1,256.1	481.1
AUSTRIA			
Credit Aktien	186.57	187.39	252.91
BELGIAN SE	4,512.40	4,569.60	3,669.80
CANADA			
Toronto			
Met.& Mins.	2,784.4	2,864.5	2,047.0
Composite	3,720.3	3,790.8	3,038.5
Montreal			
Portfolio	1,825.9	1,869.01	1,537.91
DENMARK SE			
SE	203.10	–	225.08
FRANCE			
CAC Gen	425.80	436.30	405.3
Ind. Tendance	104.90	106.20	93.13
WEST GERMANY			
FAZ-Aktien	570.98	579.22	641.72
Commerzbank	1,729.60	1,752.20	1,942.2
HONG KONG Hang Seng	2,878.10	2,881.47	1,777.27
ITALY Banca Comm.	689.10	697.77	908.20
NETHERLANDS ANP CBS			
Gen	286.50	292.40	288.3
Ind	253.50	258.50	254.1
NORWAY Oslo SE	423.62	–	332.25
SINGAPORE Straits Times	1,207.80	1,199.80	590.19
SOUTH AFRICA JSE			
Golds	—	2,244.0	1,153.7
Industrials	—	1,947.0	1,161.6
SPAIN Madrid SE	224.10	222.77	178.09
SWEDEN J & P	2,580.60	2,605.60	2,340.64
SWITZERLAND Swiss Bank Ind	580.60	588.10	560.7

COMMODITIES (London)

	May 20	Prev
Silver (spot)	555.30p	540.55p
Copper (cash)	£915.00	£907.00
Coffee (July)	£1,360.00	£1,330.00
Oil (Brent)	$18.65	$18.75

GOLD ($/oz)

	May 20	Prev
London	$475.25	$470.00
Zürich	$478.75	$470.25
Paris (fixing)	$473.21	$464.69
Luxembourg	$480.65	$471.85
New York (June)	$472.10	$478.30

CURRENCIES (London)

	US DOLLAR May 20	US DOLLAR Previous	STERLING May 20	STERLING Previous
$	–	–	1.6835	1.6830
DM	1.7745	1.7780	2.9875	2.9925
Yen	139.80	140.00	235.25	235.50
FFr	5.935	5.9475	9.9925	10.01
SFr	1.4540	1.4580	2.4475	2.455
Fl	1.9995	2.0035	3.365	3.3725
Lira	1,284.50	1,290	2,162.5	2,171.00
BFr	36.80	36.85	61.95	62.00
C$	1.3465	1.3405	2.2655	2.2570

INTEREST RATES

	May 20	Prev
Euro-currencies (3-month offered rate)		
£	8⅝	8[illegible]
SFr	3[illegible]	3[illegible]
DM	3⅝	3⅝
FFr	8⅛	8[illegible]
FT London Interbank fixing (offered rate)		
3-month US$	7[illegible]	7[illegible]
6-month US$	8	7[illegible]
US Fed Funds	6⅞*	6⅞
US 3-month CDs	7.25*	7.375
US 3-month T-bills	5.70*	6.00

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	87-25	88-13	87-04	88-07
US Treasury Bills (IMM) $1m points of 100%				
June	94.00	94.18	93.98	93.96
Certificates of Deposit (IMM) $1m points of 100%				
June	n/a	n/a	n/a	93.28
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.34	92.36	92.27	92.47
20-year Notional Gilt £50,000 32nds of 100%				
June	125-26	126-23	125-22	126-18

US BONDS

Treasury

	May 20 Price	May 20 Yield	Prev Price	Prev Yield
7¼ 1989	98[illegible]	8.028	99[illegible]	7.951
7 1994	91⅝	8.745	91[illegible]	8.661
8⅝ 1997	97[illegible]	8.892	97[illegible]	8.81
8⅞ 2017	98[illegible]	9.06	97[illegible]	8.96

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index May 20	Day's change	Yield	Day's change
1–30	163.17	+0.23	8.93	–0.03
1–10	154.63	+0.12	8.66	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	198.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	May 20 Price	May 20 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	92.22	6.70	92.74	6.50
SCBT South Central 10⅝ Jan 1993	102	10.40	103	10.17
Phibro Sal 8 April 1996	89.33	9.83	90.98	9.60
TRW 8⅞ March 1996	94	9.78	95.58	9.50
Arco 9⅞ March 2016	97.75	10.11	98.75	10.01
General Motors 8⅝ April 2016	81.25	10.14	82.625	9.96
Citicorp 9⅞ March 2016	89	10.60	89.82	10.50

Source: Salomon Brothers

* Latest available figures